Report

Banco BPI 1st Half 2013

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Index

Selected indicators

Consolidated figures in M.€, except where indicated

	30 Jun. 12	30 Jun. 13	Chg. %
Net total assets	44 656	43 167	(3.3%)
Assets under management[1]	13 403	12 964	(3.3%)
Business turnover[2]	63 156	60 839	(3.7%)
Loans to Customers (gross) and guarantees	31 409	30 074	(4.2%)
Total Customer resources	31 747	30 765	(3.1%)
Business turnover[2] per Employee (thousands of euro)	7 153	6 950	(2.8%)
Loans to deposits ratio[3, 4]	107%	101%	0.0%
Net operating revenue	632.9	583.7	(7.8%)
Net operating revenue per Employee (thousands of euro)	72	67	(6.8%)
Operating costs / net operating revenue (last 12 months)[5]	60.0%	50.2%	0.0%
Operating costs / net operating revenue, excluding non-recurring impacts (last 12 months)[6]	65.4%	65.0%	0.0%
Net profit	85.1	58.9	(30.7%)
Return on average total assets (ROA)	0.6%	0.4%	0.0%
Return on Shareholders' equity (ROE)[7]	9.6%	5.2%	0.0%
Adjusted data per share (euro)[8]	0	0	0.0%
Net profit per share	0.085	0.043	(49.7%)
Book value	0.981	1.337	36.3%
Weighted average no. of shares (in millions)[8]	1 004.4	1 383.7	37.8%
Loans in arrears for more than 90 days (in the balance sheet) / loans to customers	2.6%	3.4%	0.0%
Credit at risk / Loans to Customers[4, 9]	3.6%	4.9%	0.0%
Net credit loss[10]	0.83%	1.04%	0.0%
Pension liabilities to Employees	814	948	16.6%
Cover of pension obligations	110%	110%	0.0%
Shareholders' equity and minority interests	1 307	2 190	67.5%
Core tier I capital[4]	3 640	3 552	(2.4%)
Core tier I capital ratio[4]	14.5%	15.3%	0.0%
Core Tier I capital ratio (EBA)	9.4%	9.8%	0.0%
Closing price (euro)[8]	0.527	0.908	72.5%
Stock market capitalisation at the end of the 1st half	533	1 262	137.0%
Distribution network (no.)	913	888	(2.7%)
BPI Group staff complement (no.)[11]	8 829	8 754	(0.8%)

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) Customer loans, guarantees and total Customer resources (balance sheet resources, unit trust funds, PPR's and PPA's).
3) Deposits as a percentage of net loans.
4) Calculated in accordance with Bank of Portugal Instruction 23 / 2011.
5) Operating costs as a percentage of net operating revenue.
6) Excluding non-recurring impacts both in costs and revenues.
7) In calculating ROE, fair value reserve (net of deferred taxes) relative to the portfolio of financial assets available for sale is excluded from shareholders' equity.
8) Figures adjusted for capital increases by way of cash injection in August 2012.
9) Credit at risk includes loans in arrears for more than 90 days, associated loans falling due, restructured loans and insolvent situations.
10) Loan impairment charges in the semester, after deducting recoveries of loans written off (income statement) / Customer loans. In annualised terms.
11) Excludes temporary workers.

Introduction

The background to banking business in the 1st half of 2013 remained unfavourable for business, namely, due to the impacts on the Portuguese economy of the demanding programme directed at correcting the macroeconomic imbalances.

Despite the economy's contraction, significant progress is visible in the correction of its imbalances, notably the increased financing capacity due not only to the decrease in the trade deficit, with the goods and services balance of payments posting a positive balance in the 1st quarter of 2013 (1.4% of GDP), but also to the higher rate of household savings, with the structural primary balance having recorded a surplus at the end of 2012 (+0.2%) for the first time in several decades.

As concerns the behaviour of economic activity, data disclosed recently suggest the start of a more favourable trend, with the following representing some of the more positive signs: chain-linked GDP growth of 1.1% in the 2nd quarter (but dropping 2.0% in year-on-year terms), interrupting ten consecutive quarters of shrinking economic activity, the acceleration in exports, the recovery in household and sectorial confidence indices (except construction), the increase in industrial output and the decline in the unemployment rate to 16.4%.

In this challenging environment, BPI maintained adequate capitalisation levels, a balanced resources and liquidity situation, as well as relatively good risk levels.

Capital. As regards Capital, BPI had at the end of June 2013, a Core Tier I capital ratio in accordance with Bank of Portugal rules of 15.3% (versus a minimum 10% ratio) and a Core Tier I ratio envisaged in the European Banking Authority (EBA) Recommendation in force at the end of June of 9.8% (versus a minimum ratio of 9%).

On 22 July, following the entry into force of the new capital rules laid down by the CRD IV/CRR, the EBA made public the decision to replace its 2011 recommendation with new capital preservation measures. The new rules provide amongst other aspects that Banks maintain the necessary amount of capital in euro to comply with the capital requirements prescribed by the previous EBA Recommendation with reference to 30 June 2012, or a lower figure, providing they comply with the minimum Core tier I ratio (4.5%) and the capital conservation buffer (2.5%) required under the CRD IV / CRR rules, considering the full implementation of those rules ("CRD IV fully implemented"), that is, without benefiting from the phasing-in period foreseen in those rules.

The core Tier I ratio, already considering the redemption of 80 M.€ of CoCo bonds realised on 16 July and calculated according to the fully-implemented CRD IV / CRR rules[1], stood at 8.8%, which corresponds to a capital surplus of 345 M.€ vis-à-vis the 7% minimum ratio (minimum core Tier 1 ratio plus conservation buffer).

Liquidity. On the Liquidity front, the Bank presents a balanced situation:

- The consolidated loans to deposits ratio improved from 107% in June 2012 to 101% in June 2013;
- The medium and long-term debt refinancing requirements up till the end of 2018 are minimal (1.0 Bi.€);
- BPI had at the end of June assets capable of being transformed into immediate liquidity in operations with the ECB of 6.4 th.M.€;

Risks. The consolidated ratio of loans in arrears for more than 90 days was situated at the end of June 2013 at 3.4% while the credit at risk ratio - the indicator which considers the total exposure to operations with repayment in arrears for more than 90 days - was 4.9% on that date.

The accumulated impairments on the balance sheet for loans and guarantees amounted to 941 M.€.

The total exposure to non-performing loans (in arrears for more than 30 days), which includes the associated loans falling due, was 78% covered by accumulated impairments in the balance sheet for those loans and collateral associated with those operations.

In the 1st half of 2013, the impairments reflected in the income statement net of loan recoveries represented 1.04% of the average loan portfolio in annualised terms.

The net assets of the pension funds secured at the end of June 2013 the funding for 110% of pension liabilities to be borne by the bank.

[1] Calculations according to BPI's interpretation of CRD IV / CRR rules, based on the information known by the Bank at the current date. Core Tier I ratio calculated according to CRD IV / CRR rules for 2014 amounts to 13.2%.

Profitability. Consolidated net profit was 58.9 M.€ in the 1st half of 2013, which corresponded to a 30.7% decline (-26.1 M.€) when compared with the same period last year. The return on consolidated average shareholders' equity stood at 5.2% in the 1st half of 2013.

This trend in consolidated net profit was primarily attributable to the lower contribution from domestic operations (down 24.8 M.€) of 20.4 M.€. The contribution from domestic operations was penalised by the interest cost of the CoCo bonds (44.8 M.€ in the 1st half of 2013 before tax) and continues to be pressured by the cost of deposits and by an environment of low market interest rates as regards the income base (net interest income) and by the cost of credit risk (1.05% of the loan portfolio in the six months in annualised terms, which compares with an average indicator of 0.33% in the preceding 10 years). The ROE from domestic activity, to which an average of 85% of the Group's capital is allocated, was situated at 2.1%.

International activity contributed with 38.5 M.€ to consolidated profit for the 1st half of 2013. BFA's contribution to consolidated profit, which corresponds to the appropriation of 50.1% of BFA's individual profit, was 35.9 M.€ and the contribution from the 30% interest in BCI (Mozambique) amounted to 3.9 M.€.

BFA obtained in the individual accounts an ROE of 26.3% in 1st half of 2013 while BCI achieved in the same period an ROE of 19.5% (individual accounts). The ROE from international activity, to which an average of 15% of the Group's shareholders equity is allocated, after consolidation adjustments was 22.6% in the first half of 2013.

Governing bodies

At 30 June 2013

General Meeting Committee

Chairman
Miguel Luís Kolback da Veiga

Deputy-Chairman
Manuel Cavaleiro Brandão

Secretaries
Alexandra Magalhães
Luís Manuel Amorim

Remuneration Committee

CaixaBank, S.A.[3]
Arsopi-Holding, SGPS, S.A.[4]
HVF - SGPS, S.A.[5]

Nominations, Evaluation and Remuneration Committee[6]

Chairman
Marcelino Armenter Vidal

Members
António Lobo Xavier
Carlos Moreira da Silva

Corporate Governance Committee

Chairman
Artur Santos Silva

Members
Armando Leite de Pinho
Klaus Dührkop
Herbert Walter
Tomaz Jervell

Financial Risks Commission

Chairman
Artur Santos Silva

Members
Marcelino Armenter Vidal

Board of Directors

Chairman
Artur Santos Silva

Deputy-Chairmen
Fernando Ulrich

Members
Alfredo Rezende de Almeida
Allianz Europe, Ltd.[1]
António Domingues
António Farinha Morais
António Lobo Xavier
Armando Leite de Pinho
Carlos Moreira da Silva
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Isidro Fainé Casas
José Pena do Amaral
Juan Nin Génova
Klaus Dührkop
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Tomaz Jervell

Executive Committee of Board of Directors

Chairman
Fernando Ulrich

Deputy-Chairman
António Domingues

Members
José Pena do Amaral
Maria Celeste Hagatong
Manuel Ferreira da Silva
António Farinha Morais
Pedro Barreto

Supervisory Board

Chairman
Abel António Pinto dos Reis

Members
Jorge de Figueiredo Dias
José Neves Adelino
Miguel Artiaga Barbosa[6]

Alternate members
Francisco Javier Olazabal
Rui Guimarães

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[2]

Alternate
Carlos Luís Oliveira de Melo Loureiro

Audit and Internal Control Committee

Chairman
Ruy Octávio Matos de Carvalho[7]

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) Allianz Europe, Ltd. nominated, in terms of article 15(2) of Banco BPI, S.A.'s Statutes, Herbert Walter to exercise the terms in his own name.
2) Deloitte & Associados, SROC, S.A. nominated António Marques Dias to represent it in the exercise of this office.
3) CaixaBank, S.A, designated Isidro Fainé Casas to represent it in this position.
4) Arsopi-Holding, SGPS, S.A. nominated Armando Leite de Pinho to represent it in the exercise of this office.
5) HVF,SGPS, S.A. nominated Edgar Alves Ferreira to represent it in the exercise of this office.
6) Mr. Miguel Barbosa is the State representative on Banco BPI's Supervisory Board, having been appointed by dispatch published in the Republic's Official Journal, II Series, of 4 December (Dispatch no. 15463-B/2012 of the Minister of State and Finance). This appointment was made pursuant to the provisions of article 14(2) of Law no. 63-A/2008, of 24 November and taking into account the provisions of point 9 of Dispatch no. 8840-A/2012, of the Minister of State and Finance, which approved Banco BPI's Recapitalisation operation. Banco BPI immediately began to register this appointment at the Bank of Portugal, which registration was communicated to Banco BPI by the Bank of Portugal on 17 January 2013, date on which the supervision authority was informed was the date on which Mr. Miguel Barbosa commenced his functions.
7) Member not belonging to the Board of Directors.

Shareholders

Shareholder structure

At 30 June 2013 Banco BPI's capital was held by 20 758 Shareholders, of whom 20 291 were Individuals owning 11.5% of the capital, while 467 institutional investors and companies owned 88.5% of the capital.

Shareholders owning more than 2% of Banco BPI's capital[1,2] At 30 June 2013

Shareholders	No. of shares held	% capital held	% of voting rights[1]
La Caixa Group[3]	642 462 536	46.2%	46.2%
Santoro[4]	270 643 372	19.5%	19.5%
Allianz Group[5]	122 744 370	8.8%	8.8%
HVF SGPS, S.A.[6]	28 854 874	2.1%	2.1%

Note: Shareholder positions recorded at 30 June 2013 at the securities clearing house (Central de Valores Mobiliários - CVM), based on the information received from the Central de Valores Mobiliários. At 30 June 2013 BPI Group held 6 204 733 own shares corresponding to 0.45% of Banco BPI's share capital.

1) According to a statutory provision, the voting rights for purposes of their exercise are limited to 20%.
2) At 30 June 2013, companies controlled by the director Armando Leite de Pinho held 7 856 695 shares representing 0.6% of BPI's capital. Persons related by family ties and companies linked to them owned holdings which, added to the abovementioned, totalled 30 109 237 shares representing 2.2% of BPI's capital. According to the information which the Bank has, this does not mean that the aforesaid aggregate constitutes a qualified shareholding in BPI in terms of article 16 and following of the Securities Code.
3) Through Caixabank, S.A., which is 70.35% held by the parent company of the La Caixa Group, Caixa d'Estalvis i Pensions de Barcelona ("La Caixa"), entity to which whom is attributed the referred participation in Banco BPI, under the article 20 (1)(b) of the Securities Code.
4) Directly held by Santoro Finance – Prestação de Serviços, SA ("Santoro Finance"), and, under the article 20 (1)(b) of the Securities Code, imputable 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 controlling shareholder of Santoro Financial Holdings, SGPS.
5) Through the subsidiaries controlled by Allianz SE and attributable to this entity under the article 20(1)(b) of the Securities Code: direct shareholding of 8.67% held by Allianz Europe Ltd. (100% held by the Allianz Group) and a direct shareholding of 0.16% held by Companhia de Seguros Allianz Portugal (65% held by the Allianz Group).
6) Participating interest held via Violas Ferreira Financial, S.A., whose share capital is fully held by HVF, SGPS, S.A., and, in terms of the provisions of article 20(1)(d) of the SC, includes 242 000 shares held by Otília Soares Violas Alves Ferreira (0.02% of Banco BPI's capital) and 261 083 shares held by Edgar Alves Ferreira (0.02% of Banco BPI's capital), respectively Chairman and member of the Board of Directors of HVF – SGPS.

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.

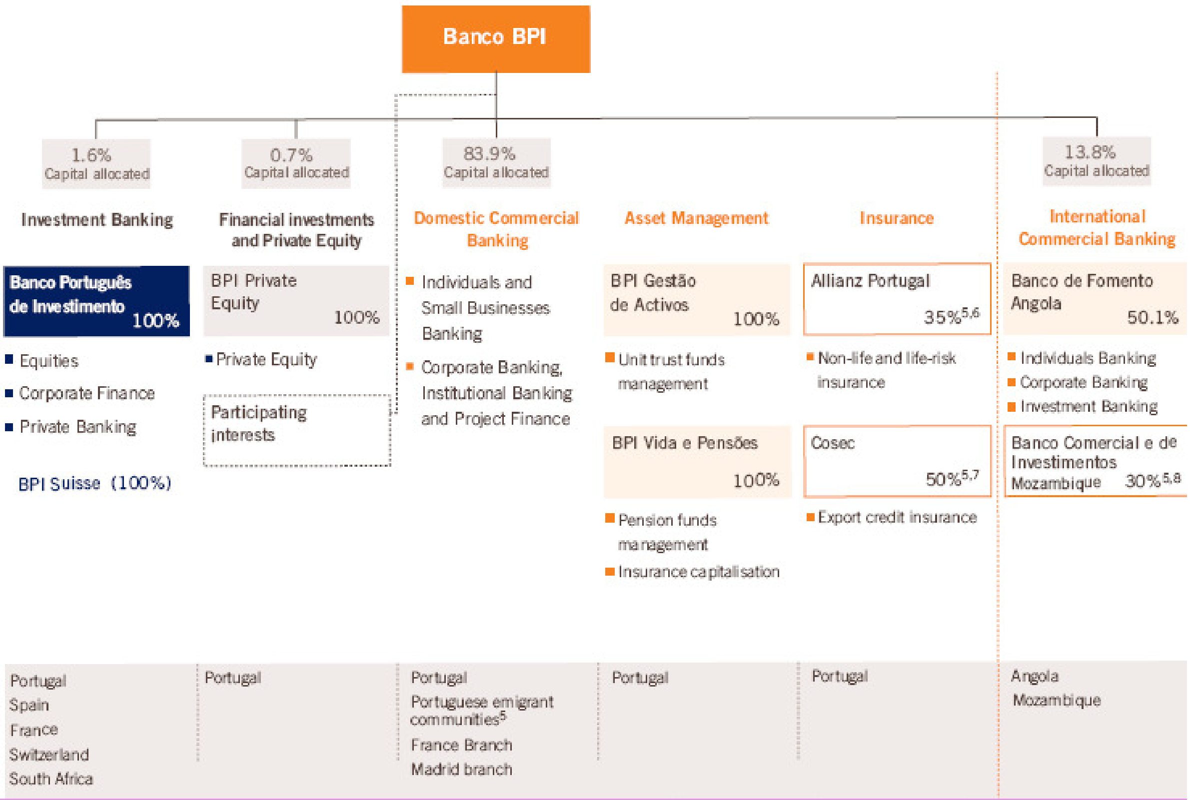
The two main markets of operations are Portugal, a developed and competitive market where BPI has a strong competitive position, and Angola, an emerging economy which has recorded robust and sustained growth in recent years, where BPI, through its equity interest in BFA, has leading positions in the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

At 30 June 2013, 86.2% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 13.8% to international activity.

Leading indicators by business segment

At 30 June 2013 — Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets [2]	36 953	6 215	43 167
Loans to Customers[3] and guarantees	28 661	1 413	30 074
Total Customers resources	25 410	5 354	30 765
Business turnover[4]	54 072	6 767	60 839
No. of Customers (thousand)	1 686	1 139	2 826
No. of Employees	6 363	2 391	8 754
Distribution network (no.)	717	171	888



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.

Domestic operations

Domestic operations correspond to commercial banking business in Portugal, the provision overseas of banking services to non-residents – notably to communities of Portuguese emigrants and the services provided at the Madrid branch–, and to investment banking services, private equity, asset management and insurance.

Domestic commercial banking operations is carried on by **Banco BPI**, the fourth biggest financial institution operating in Portugal, in terms of business volume, serving more than 1.7 million Customers holding market shares of close to 8% in loans and resources.

Individuals and Small Businesses Banking serves individual Customers and small businesses with turnovers of up 5 M.€.

Corporate, Project Finance and Institutional Banking serves companies with a turnover of more than 2 M.€, operating in competition with Individuals and Small Businesses Banking in the segment up to 5 M.€. Also includes the provision of project finance services and the relationship with Public Sector, State-owned and Municipalities Companies, and the State Business Sector, Foundations and Associations.

BPI also makes available a broad range of life and non-life insurances by means of an insurance distribution agreement with Allianz Portugal, which is 35% held by the BPI Group within the scope of the strategic partnership with the Allianz Group.

Investment banking business is conducted by Banco Português de Investimento and is structured into four main areas: Equities and Corporate Finance – these within the geographic confines of the Iberian Peninsula and in the first case includes offices in Madrid, Paris and South Africa and in the second case, dedicated teams in Africa, particularly Angola and Mozambique –, Private Equity and Private Banking. BPI is a member of the Lisbon and Paris Euronext stock exchanges, the Madrid Stock Exchange and the Johannesburg Stock Exchange.

BPI's **asset management** – unit trust funds, life-capitalisation insurance and pension funds – is carried on by dedicated subsidiaries controlled 100%, with the products being placed with Customers through Banco BPI's distribution network and Banco Português de Investimento.

At the end of June 2013, BPI Gestão de Activos was the third biggest fund manager in Portugal, with a market share of 14.5%, BPI Vida e Pensões was the third largest pension fund manager with a market share close to 15% and had a 8.2% market share in the segment of capitalisation and PPR products in the form of insurance.

Private equity invests essentially through the venture capital funds, mainly funds promoted by the BPI Group and currently managed by a 49%-held associated company – Inter-Risco.

International operations

International operations encompass the business conducted by **Banco de Fomento in Angola (BFA)** – 50.1% held by BPI in partnership with Unitel, owner of the remaining 49.9% of the capital –, as well as the appropriation of the results attributable to the 30% interest held in **Banco Comercial e de Investimentos (BCI)**, in Mozambique.

BFA holds leadership positions in Angola, with market shares of 16% and 10% in deposits and loans, respectively, 17% in the distribution network, 23% in cards and 27% in payment terminals.

BFA is a retail bank with an ample base of deposits and reduced transformation of deposits into loans – offering a structured and differentiated spectrum of products and services for individuals and companies and complemented, in this case, by the availability of project finance, corporate finance and private equity services.

BFA serves 1.1 million Customers, through a distribution network with a strong presence in Luanda and wide coverage throughout of the whole territory, comprising 147 branches, 8 investment centres and 16 corporate centres.

BCI is a retail bank predominantly focused in collecting resources and granting loans, in which activities the bank has market shares close to 29% and 28%, respectively. BCI serves 639 thousand Clients via a branch network of 130 units, which represents 26% of the total branches in the Mozambican banking system.

Distribution channels

Distribution network selected indicators

	Banco BPI	Banco de Fomento Angola	BCI – Banco Comercial e de Investimentos[2)]
Traditional branches	613	147	116
Paris branch (branches)	12	–	–
Investment centres	39	8	–
Corporate centres[1]	53	16	14
Automatic bank (ATM)	1 484	334	319
Active points of sale (POS)	35 114	4 356	4 444
Commercial partners	28 477	–	–
Internet Banking (active users)	BPI Net: 712 704 BPI Net Empresas: 84 283	BFA Net Particulares: 348 748 BFA Net Empresas: 8 494	E-banking Particulares: 29 513 E-banking Empresas: 5 932
Telephone banking (active users)	BPI Directo: 409 681	–	–

1) The corporate banking distribution network in Portugal includes 1 Project Finance centre, 6 institutional centres, the Financial Services Division in Mozambique and the Madrid branch.
2) 30% shareholding.

Human resources

At 30 June 2013, the BPI Group's workforce numbered 8 754, which represents an yoy decrease of 0.8%

The workforce allocated to the domestic operations fell 3.8%, numbering 6 363 employees at the end of June 2013.

In international operations, in Angola, the workforce grew by 7.5% (+167 employees) relative to June 2012. At the end of June 2013, Banco de Fomento Angola's workforce stood at 2 380 employees, representing around 27% of the total employees of BPI Group.

BPI Group Employees

		End of period figures				Average figures		
		Jun.12	Dec.12	Jun.13	% Jun.12 / Jun. 13	1st half 12	1st half 13	% Jun.12 / Jun. 13
Domestic activity								
Banco BPI	1	6 205	5 997	5 967	(3.8%)	6 220	5 982	(3.8%)
Banco Português de Investimento	2	140	137	135	(3.6%)	143	137	(4.2%)
Other subsidiary companies	3	70	66	65	(7.1%)	68	64	(5.9%)
Subtotal – activity in Portugal [1] [= Σ1 to 3]	4	**6 415**	**6 200**	**6 167**	**(3.9%)**	**6 431**	**6 183**	**(3.9%)**
Overseas branches and representative offices	5	199	200	196	(1.5%)	205	198	(3.4%)
Subtotal – Domestic activity [= Σ4 + 5]	6	**6 614**	**6 400**	**6 363**	**(3.8%)**	**6 636**	**6 381**	**(3.8%)**
International activity								
Banco de Fomento Angola	7	2 213	2 267	2 380	7.5%	2 159	2 337	8.2%
BPI Capital Africa		2	13	11	-	2	11	-
Subtotal – International activity [1] [= 7]	8	**2 215**	**2 280**	**2 391**	**7.9%**	**2 161**	**2 348**	**8.7%**
Total [1] [= 6 + 8]	9	**8 829**	**8 680**	**8 754**	**(0.8%)**	**8 797**	**8 729**	**(0.8%)**

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI. At 30 June 2013, the number of Employees with fixed-term contracts in Portugal stood at 54 and in overseas operations was situated at 13. In average terms, in the first half 2013, the number of Employees with fixed-term contracts in Portugal reached 49 and in overseas operations amounted to 13.

Background to operations

MACROECONOMIC BACKGROUND

WORLD AND EUROPEAN ECONOMY

In the first six months of 2013, the global economy recorded only a slight acceleration, falling short of expectations: according to the International Monetary Fund[1], the world GDP grew 2.75% in the 1st quarter of 2013 whereas in the 2nd half of 2012 registered a 2.5% increase. Contributing to this performance were the weak expansion in domestic demand in certain of the emerging economies with some weight on the global economy (China and Brazil, in particular); the USA's lacklustre economic expansion, fruit of a budgetary policy with a highly restrictive bias, notwithstanding the growing evidence of the real-estate market's revival and the gradual improvement in the labour market; finally, the prolongation of the euro zone's recession which in the 1st quarter of 2013 registered the fourth consecutive quarter of shrinking activity.

Europe in prolonged recession

In the 2nd quarter of the year, the euro zone presented 0.3% chain-linked growth, annulling the drop of the same magnitude observed in the first three months of 2013. This more positive dynamic reflects the growth of the two leading economies, Germany and France. In year-on-year terms, the euro zone still presents downswings given the permanence of a weak global environment. Also contributing to this climate was the continued recessionary trend in certain of the EMU peripheral economies – Greece, Spain, Italy. Economic agents' confidence indices – households and companies – are still affected by factors of a political nature, influencing the behaviour of the region's domestic demand which continues to shrink, with special mention of gross fixed capital formation: -5.5% in the 1st quarter of 2013, by comparison with the same period of 2012.

Elections in Italy and the Cyprus bailout mark the first half of the year in Europe

On the political stage, the result of the Italian elections and the difficulty in forming the new government evidence the fatigue of the reformist process and the effects of the prolonged trend in the labour market's deterioration. Later, in April, the materialisation of financial assistance by the IMF/EU/ECB to Cyprus and the specifics relating to this aid, engendered the return of uncertainty and distrust relating to the future of the Economic and Monetary Union. The flight to refuge favoured the appreciation of public-debt securities on the key markets: the yield on the German public-debt benchmark sank to the lowest levels seen since the summer of 2012.

[1]) World Economic Outlook - July Update.

Cyprus*: bail-in versus bail-out?*

The increase in the degree of risk aversion observed at the time of the materialisation of the financial assistance to Cyprus reflected not only the process's protraction but also the specifics of the Programme itself and respective conditionality, including the resolution and restructuring of the country's largest banks, chiefly financed through recourse to depositors.

The financial package agreed to covers the period 2013 to 2016, totalling EUR 10 billion, including a billion euro loan from the International Monetary Fund. One of the Programme's main objectives is the restructuring and rescaling of the Cypriot banking sector, the chief characteristics of which make this case to a certain extent unique: the sector's excessive size (total assets were situated at 718% of GDP at the end of 2012, more than double the European Union's average)[2] and the less cautious balance sheet management policies pursued by the largest banks justified the format of the aid granted to the country. These took the form of a pronounced pace of credit growth since 2000 made possible by the inflow of non-residents' deposits (typically less stable), attracted by an appealing income tax regime. It is also worth mentioning the high exposure to loans to Greek residents, and the high default levels and the scale of the losses incurred by the banks relative to GDP. In this domain, the origin of Cyprus's crisis (above all as regards the sector's size and balance sheet management) has some similarities to the factors which triggered the Irish crisis.

The heavy weight of deposits on banks' balance sheets meant that within the ambit of the bailout there were not sufficient liability instruments for the "*bail-in*" and the deposits in excess of 100 000 euro had to contribute to the absorption of losses and the banks' recapitalisation thereby averting the financial system's collapse.

[2]) European Commission – The Economic Adjustment Programme for Cyprus

ECB reinforces support posture for growth …

In response to the financial markets' turbulence and the increasing risks for economic activity, the European Central Bank cut its principal refinancing rate by 25 basis points to 0.50% at the April meeting, having also cut the rate applied to liquidity-provision facility (*overnight*) to 1%. On the other hand, the rate applied to the deposit-placing facility (also overnight maturity) remained at 0%, penalising institutions which parked their surplus funds with the monetary authority and seeking to revive confidence and liquidity on the European interbank market.

…and seeks to re-establish the transmission mechanism

At the monetary policy committee meeting of July, the ECB reinforced its accommodative posture by inaugurating a new phase of communicating with the market, guaranteeing that short-term rates will remain at current levels for a long period of time and not excluding the possibility of fixing negative liquidity mopping-up rates. The objective is to maintain Euribor rates at minimum levels and boost confidence levels. The monetary authority also appears to be attentive to the need to re-establish the transmission mechanism, although also conscious of the need to pursue deleveraging in certain of the peripheral economies where there is the highest level of indebtedness. Indeed, the stock of bank loans to the non-financial public sector continues to decline in the countries most affected by the sovereign debt crisis. If, on the one hand, the need for the restructuring of private sector balance sheets is behind a drop in demand for loans, on the other the uncertainty and risk aversion continue to dampen the disposition of banks to lend to economic agents. In this perspective, additional declines in interest rates have not been sufficient to stimulate the credit market. Restricted by the lower limit of zero interest rates, and taking into account the existing disparities between the various EMU countries, the ECB should seek alternative monetary policy instruments so as to curb fragmentation in the markets.

Preparation for the withdrawal of stimuli by the Federal Reserve induces more restrictive financial conditions

Already close to the end of the six months several statements by monetary policy officials in the US suggested that the initial phase of the tapering of the exceptional monetary policy stimuli could take place by the end of the year should the economic data be consistent with the central bank's latest projections, bringing these to a complete halt by the middle of 2014. Pursuant to the 3rd quantitative easing programme, - use of unconventional monetary policy instruments, in which the Federal Reserve commits itself to the introduction of stimulus by way of the purchase of financial assets - launched in September 2012, the central bank has been buying treasury bonds every month in the amount of USD 45 thousand million (th.M) and securities collateralised by home loans (MBS) in the amount of 40 th.M.USD. This unexpected change in the Federal Reserve's posture, even though justified by a slightly more positive economic environment in the US, justified losses on various markets, including the public-debt market, leading to the prospect to the maintenance of some volatility on the major markets in the near future.

European Council of June takes steps to bolster the EMU's architecture

The June 2013 European Council recognised as a priority issue the conclusion of the Banking Union so as to assure financial stability, reduce financial fragmentation and re-establish the normal granting of credit to the economy. The European Council also recorded that it is imperative to break the vicious cycle between banks and the States, underlining that the new rules governing own funds requirements applicable to the banks (CRD IV / CRR) and the new Single Supervisory Mechanism (SSM) will play a fundamental role in guaranteeing the banking sector's stability. Additionally, when the single supervisory mechanism is actually established, the European Stability Mechanism will seemingly have the possibility of directly recapitalising the banks. Finally, the Euro group appealed for the formalisation of a single resolution mechanism for the banks covered by the SSM, as well as the adoption before the end of the year of the proposal relative to the deposit guarantee systems.

PORTUGUESE ECONOMY

Activity sinks to the lowest point of the cycle

According to preliminary information from the Instituto Nacional de Estatística – INE (National Statistics Institute), the rate of Gross Domestic Product slowdown decelerated to a year-on-year -2.0% , in the 2nd quarter of the year, benefiting from the chain-linked growth of 1.1%. This trend interrupts ten consecutive quarters of falling economic activity. Although there is not yet detailed information for the various components of GDP, the INE refers that this performance translates a favourable behaviour of exports and a less marked contraction in investment. The drop in domestic demand continues to justify the contraction in economic activity, partially compensated by the contribution from net exports. In this arena, the Goods and Services external balance was positive in the 1st quarter of 2013, to settle at 1.4% of GDP (-1.7% in the 1st quarter of 2012), reflecting different dynamics in the volume of imports and also the improvement in the terms of trade according to the INE. The information available at the end of May points to a consolidation of this trend. The most recent information relating to the behaviour of economic activity suggests the construction of a more favourable trend in GDP performance. Amongst the most positive signals, there is the acceleration of goods exports in April and May (6.6% expansion in year-on-year terms); the improvement in household and sectorial confidence indices (except construction) up till June; the increase in industrial output in two consecutive months, interrupting a period of decline observed since March 2011; and the decline in the jobless rate to 16.4% in the 2nd quarter of 2013, down 1.3 percentage points on the previous quarter reflecting the creation of 72.4 thousand jobs.

Savings surpass investment

The Portuguese economy's financing capability climbed to 1.3% of GDP in the first quarter, 1 percentage point (pp) more than at the end of 2012. This fact is essentially due to the continued favourable behaviour of the goods and services trade balance and to households' strengthened financing capability. The households' savings rate climbed to 12.9%, 1.3 pp higher than at the close of 2012, benefiting from the higher disposable income and the maintenance of the downward trend in consumption.

Adjustment programme continues

Compliance with the measures agreed to with the Troika (IMF/ECB/EU), namely with respect to the budgetary consolidation process and the implementation of structural reforms (as evidenced by the more liberalised labour market legislation, alterations to the rental laws, amongst others) have constituted a major constraint for the national economy, with an impact on virtually all macroeconomic variables and social indicators. The national manufacturing sector's reorientation to the tradable goods sector and the adjustment stemming from the other sectors have also justified the difficulty in meeting the budget targets initially agreed upon given the profile of demand composition, less favourable from the tax receipts standpoint. Moreover, the external economies' weak performance, in particular that of the European Union, destination for roughly 70% of exported goods, and the pursuance of the process involving the recomposition of households' and companies' balance sheets also explains a worse economic scenario than that which the 2013 State Budget envisaged and which forecast a contraction of 1% in activity. Reflecting these overriding factors, the measures agreed to under the Economic and Financial Adjustment Programme (EFAP) were revised during the course of the seventh evaluation, with the 2013 deficit limit fixed at 5.5% of GDP and at 4% in 2014. In this context, an Amending State Budget for 2013 was approved in May, incorporating the new target for the Public Administration balance and the worsening macroeconomic landscape. Another reason warranting the presentation of an amended budget was the need to detail the measures to compensate for the Constitutional Court's decision which held that certain of the measures envisaged in the 2013 budget were unconstitutional (with a weight of around 0.8% of GDP, 1.8 thousand million euro).

Notwithstanding these constraints, it is worth highlighting the significant progress made in budgetary consolidation, with the structural primary balance (excluding interest, ad hoc factors and adjusted for the economic cycle) posting a surplus for the first time in several decades: +0.2% at the end of 2012 which compares with -6% in 2010[1]. This trend, coupled with easier tensions on the international financial markets since the summer of 2012, a trend underpinned by the European Central Bank's

[1]) Source: Amending Budget 2013, Ministry of Finance.

accommodative posture, permitting a meaningful shrinking of the risk premiums on the markets of the euro-zone's peripheral economies, were also mirrored in the improvement in Portugal's perceived risk, making possible the launching of two 5 and 10-year issues by the Portuguese Treasury at the beginning of 2013. More recently, internal political tensions and the change in the Federal Reserve's posture, preparing the market for the cut in monetary stimulus, once again sparked a widening of the risk premium, complicating the normalisation of the access to the primary market at the time of the EFAP finalisation, scheduled for June 2014.

Unemployment and inflation with divergent trends.

The labour market situation continues along a deteriorating trajectory. The unemployment rate reached 16.4% in the second quarter of 2013, 1.4 percentage points above the level recorded a year earlier. The number of jobless climbed by around 7% while the volume of employment remained on a downward course of about 4% year-on-year. It is worth referring that a significant part of the contraction in employment stems from the construction sector which is undergoing an adjustment phase.

Also a reflection of the prolonged downturn in economic activity, as well as the stabilisation of fuel prices, the average inflation rate has been falling gradually, to be situated at 1.3% in July. This trend should continue till the end of the year, mirroring also the maintenance of substantial slackness in the developed countries' factor markets.

Financial system reinforces robustness

In the early months of 2013, the orderly deleveraging of the Portuguese economy continued, with the loans/deposits ratio declining to 124.9% which compared with 128.4% at the end of 2012. The decline in the private sector's indebtedness levels (above all for households) explains in large measure the progress made in this domain. The recourse to the European Central Bank continued as an important element in the funding of the Portuguese banking system, with the value of liquidity supplies oscillating between a maximum of 49.5 thousand million euro (th.M.€) in April and 47.5 th.M.€ in June, roughly 9% of the financial system's total assets. Meanwhile, the recapitalisation of BANIF by recourse to public funds took place at the beginning of 2013 (1 100 M.€). According to the Bank of Portugal, the Portuguese banking system's Core Tier 1 ratio was situated at 11.5% at the end of 2012, above the 10% objective laid down in the Economic and Financial Adjustment Programme.

Deposits

The resident non-financial private sector deposits (individuals and companies) continue to recover from the losses incurred during 2012. In the first five months of 2013, the balance on these deposits grew by 1.1% when compared with the balance at the end of 2012, despite remaining below the balance in May of the preceding year. The deposits of non-financial companies, strongly penalised at the end of the previous year, staged a gradual recovery and their balance rose by 2.0% between December and May. However, due to the carry-over effect, the value of these companies' deposits at the end of May was 9.1% lower than the figure for the corresponding period a year earlier. In the business sector, the deleveraging drive and the business sector's restructuring entailed the predominant recourse to own funds, thereby affecting the behaviour of the sector's deposits. On the other hand, the balance on resident individuals' deposits was 0.68% higher than the figure recorded in May of last year. The increase in households' disposable income strengthened the ability to set aside savings; on the other hand there was an extra effort to save in this sector, as borne out by the higher savings rate, reflecting above all precautionary motives and changes on consumption patterns and preferences.

The positive behaviour of individuals' deposits is noteworthy against the backdrop of the lower average interest paid by the banking sector, reducing their attractiveness vis-à-vis alternative savings products. In fact, monetary financial institutions' deposit rates and the respective spreads relative to money market rates (Euribor) have been falling since the second half of 2011, reflecting the measures of a prudential nature taken by the Bank of Portugal with a view to preventing aggressive practices relating to the capture of new deposits which undermine the banking system's stability. The drop in Euribor rates and the easing of pressures on banks' liquidity, stem from the implementation of the unconventional measures of the ECB's monetary policy, also led to the lower remuneration offered on new deposits. Between May 2012 and May 2013, the average return on new deposits operations declined from 3.5% to 2.2%.

Loans

Bank lending to residents remains on a slightly downward trajectory in line with the desired reduction in borrowing levels in all sectors of economic activity. After having recorded a 5.9% fall during the course of 2012, between the end of the year (December) and May this year, the balance of loans to the non-financial private sector registered a negative 1.5% change in the period. The decrease in loan stock was extensive to all sectors, notably the non-financial business sector (-5.7% in May relative to the same period last year) and individuals (-4.7%), including housing loans (-3.8%). On the one hand, the need to curb private sector indebtedness and the contraction in domestic demand have contributed to diminishing the demand for bank finance. However, the effect of these factors has also been magnified by the objectives of the financial system's deleveraging, expressed in the indicative target of 120% for the loans/deposits ratio (125% in March 2013) and by the rules imposed by the EBA (European Banking Authority), which prescribes demanding capital ratio requirements. The behaviour of financing costs is also dependent on the return prospects and the evaluation of the credit risk inherent in the proposed investment projects.

The trend in the deterioration in default ratios continued to extend to all sectors of economic activity, although the most recent trends could suggest a tentative stabilisation in certain segments. In the case of loans advanced to individuals, the percentage of doubtful loans climbed slightly to 3.9% in May from 3.8% at the end of 2012; in the home-loan segment, which accounts for 83% of loans to individuals and 43% of total loans advanced by the banking sector, doubtful loans represented 2.1%. In the non-financial companies segment, doubtful loans rose from 9.4% in December to 11.3% in May, due to the adverse climate affecting the construction (22.2%) and real-estate sectors (16.1%), reflecting the grave contraction in these sectors' activities. Meanwhile, above all from mid-2012 onwards, there has been a slower pace in the growth (absolute) of doubtful loans.

Prospect for 2013-14

The scenario for the second half of 2013 and 2014 can be deemed to be moderately optimistic. Notwithstanding the disappointment which surrounds the global economic landscape in the first six months of the year, round about the middle of the year some more positive signs began to emerge, namely in the economies of the euro region, leading to the prospect of the return to growth, albeit tenuous in the second half. In the US, the gradual improving trend continues but underpinned by the labour market and the real-estate recovery.

Conversely, some uncertainty clouds the scenario in the emerging economies, notably as regards China, which in 2012 generated the largest individual contribution to global expansion. Indeed, some concerns prevail as concerns the effects of the drive underway to redirect growth to the detriment of investment and in favour of private consumption.

Furthermore, the proximity of the phase of tapering monetary policy stimulus by the Federal Reserve, coupled with Ben Bernanke's succession as the central bank chairman, could generate volatility in the leading asset markets and negatively affect activity. In this domain, one will recall the conclusions of the studies published by the OECD in June, according to which a sustained rise of 2 percentage points in the yield of 10-year US *treasuries* would entail a decrease in the order of 0.2-0.4 percentage points in the EMU's and Japan's GDP. And should the yields on European and Japanese securities accompany the movement in North American securities, the negative impact on GDP could rise to 1% and 3%, respectively, that is, it would prolong the recession in the euro zone and would result in a scenario of GDP contraction in Japan.

In Portugal, GDP should retreat by around 2% (the Bank of Portugal projects -2%; the Ministry of Finance, -2.2%), better than the 3.2% contraction registered in 2012. In 2014, the return to minor growth is expected, approximating stagnation, although even this outlook is shrouded in uncertainty. By the end of the year, domestic demand will continue its downswing, although less pronounced than that observed in the past year. The principal overriding factors will persist, such as the budgetary consolidation process, with the prospect of permanent cuts in public spending in 2014, which will be known in detail with the presentation of the respective State Budget; the continuation of the process involving the reduction of borrowing levels, namely in the non-financial private business sector where no progress has been recorded in this sphere, constitutes an additional risk element. In this domain, the sectors which most depend on the domestic market will suffer the most, such as construction, real estate development and commerce.

The inflation rate should continue to abate – the Bank of Portugal anticipates an average inflation rate of 0.4% this year and 0.8% in 2014 – while the benchmark short-term interest rates will remain at low levels. The eventual improvement in internal economic conditions and the structural progress already observed, in conjunction with the continuing improved perception of country risk, could induce the recovery in demand for loans in some market segments and the abatement in the respective financing costs, resulting in lower differentials relative to the benchmarks. However, this scenario is also dependent on the external environment and a lesser fragmentation of the international monetary markets.

MARKETS

Currency market

In the first half of 2013, the currency market was influenced primarily by the expectations surrounding monetary policy, responsible for the main trends in the exchange rates of the world's leading currencies. Between the end of January and May, the EUR/USD exchange rate fell 6.1%, reflecting the expectation that the ECB's monetary policy would continue expansionist by virtue of the persistence of recession and the worsening unemployment figures in the region. This trend was accentuated by the cut in the key reference rate to 0.50% at the start of May. On the other hand, Ben Bernanke's reference to the possibility of a monetary stimulus implemented by the Federal Reserve (Fed) being reduced in a gradual manner by the end of the year contributed to the dollar's widespread appreciation. The trend in the Japanese yen market was marked by the reaction to the monetary flexibility measures announced in April by the new Bank of Japan governor, Haruhiko Kuroda, with the aim of dissipating the deflationary climate that has gripped the country for more than two decades. Between the end of December and June, the USD/JPY exchange rate gained 14.5%.

Money market

Global monetary policy continues to be extremely expansionist, endeavouring to constitute a support for relaunching economic activity by way of minimal interest rates and the aggressive expansion of central banks' balance sheets, even though acting with differing instruments. Meanwhile, the Fed is already preparing the markets for a tapering of the quantitative easing programme, which will result in less expressive increases in its balance sheet. In reaction, major European central banks adopted a more accommodative posture, boosting the message that the various regions find themselves in different phases of the economic cycle. After having cut the key interest rate to 0.5%, the ECB indicated that it would leave interest rates at the same level or a lower level for an extended period of time, while the Bank of England signalled that it is concerned about the mounting expectation for the direction of the benchmark rate. The money market thus continues to be supported by the escalating liquidity flows stemming from the principal central banks and by the maintenance of benchmark rates at historical lows. Reflecting the accommodative conditions of global monetary policy, money market interest rates descended to stabilise at very minimal levels.

Bond markets

The yields on public-debt securities of the key countries – US and Germany – reacted meaningfully to the announcement that the Fed could begin tapering the monetary stimulus even this year. The yields on 10-year bonds in the US reached 2.63% in the last week of June, 100 basis points (bp) above the level observed at the start of the quarter, reflecting the selling pressure which followed the change in the Fed's posture. In Germany, the yields on the same maturity bonds rose 66 bp in the same period to around 1.8%, levels not seen since the first quarter of 2012. For their part, the risk premiums demanded for the debt of the countries commonly known as peripherals relative to German public-debt bonds also incorporate that announcement. In the second quarter of the year, there was a widening of the risk premium vis-à-vis the German bond of 70 bp in the case of Portuguese 10-year securities, 20 bp for Italian and Irish paper and 16 bp for Spanish debt, reflecting a re-evaluation of the risks associated with the withdrawal of the monetary stimuli and the consequent reduction in liquidity available on the market. In these markets it is worth referring to the deterioration in the premium demanded on Portuguese debt in the first few days of July in the wake of the political events noted in Portugal: ten-year securities rose to as high as around 8%, although the trend reversed as a result of the return to a more stable political situation.

Equity market

Global context

The sovereign debt crisis in Europe associated with the weak growth and uncertainty surrounding the conduct of monetary policies at global level continued to influence the behaviour of the equity markets. The first half of 2013 was marked by high volatility in public-debt yields, exacerbated not only by the request for external assistance by the Cypriot government but also by the indication on the part of the North American Federal Reserve of the possibility of the progressive withdrawal of monetary stimulus to the economy. In this context, the key European stock market index - EuroStoxx 600 – closed the first six months of the year with a gain of 2%, whilst the S&P500 – principal North American index – ended the quarter 13% higher.

Portugal and Spain –secondary market

In Portugal, the key PSI-20 index closed the six months with a drop of 2%, whilst in Spain the IBEX35 index posted a 5% decline. Trading volumes in Portugal were up 30% relative to the same period last year to 15 th.M.€, although in Spain they recorded a 13% drop to 303 th.M.€. This behaviour compares with a fall in the volumes of the global indices EuroStoxx 600 and S&P 500 of 4% and 6%, respectively.

Portugal and Spain –primary market

The Iberian primary market remained relatively inactive, with no initial public offering of any significant size taking place during the first six months of the year.

As regards quoted companies' capital increases, after strong activity in 2012 by virtue of the Iberian banking system's recapitalisation, the first six months of 2013 were marked by a contraction in activity. It is only worth mentioning the capital increase of 100 M.€ realised in June by Banif and fully subscribed by a group of its main shareholders.

On the other hand, the bond issues convertible into shares totalled 600 M.€, originated in their entirety on the Spanish market, namely 400 M.€ by Abengoa and 200 M.€ by Melia Hoteles.

ANGOLAN ECONOMY

Economic activity

The outlook for the third biggest economy in sub-Saharan Africa is positive despite being dependent on the international landscape, given that it is influenced by future changes in the international prices of its chief export commodity, crude oil. The IMF forecasts that the economy will grow 6.2% in 2013, following the robust expansion observed in 2012 (GDP grew 8.4%). The recovery of activity at certain oil wells should reinforce oil output, which up till May this year had reached 1.76 million barrels per day (in 2012, the figure was 1.78 mbd).

With an export potential of 7.2 thousand million cubic metres of gas, the LNG plant (liquid natural gas) was inaugurated in June and immediately afterwards closed down for routine inspections, with a new opening scheduled for August. Activity could add 2 p.p. to GDP in the first year of functioning.

The non-oil sectors, namely, energy, transportation and housing, will continue to grow, underpinned by the public investment in infrastructures and the commitment diversification.

External sector

Exports declined by a year-on-year 11% in the first quarter, essentially due to the drop in international crude-oil prices while imports were up 9.6%. Meanwhile, the imports cover ratio surpassed the 300% mark, with the country continuing to present large trade surpluses.

In July, foreign currency reserves reached 32.4 th.M.US$, an increase of 1.8 th.M.US$ when compared with December 2012.

The Kwanza continues to record a slight downward tendency (in July, the USD/AKZ exchange rate was down 0.6% since December). The authorities should give continuity to the current policy so as to guarantee macroeconomic stability and control over inflation. The slight nominal depreciation favours the diversification of economic activity, essential for an inclusive development process.

Public accounts

In 2013, the Angolan government should present a budget deficit of 1.2% of GDP. A strong increase in capital spending is projected to take place in order to give continuity to the rehabilitation plans for infrastructures and the Angolan economy's diversification.

Economic indicators and forecasts

	2009	2010	2011E	2012F	2013F
Real Gross Domestic Product growth (yoy, %)	2.4	3.4	3.9	7.4	7.1
Oil sector	-5.1	-3.0	-5.4	4.3	6.6
Non-oil sector	8.1	7.6	9.5	9.1	7.3
Oil production (millions of barrels/day)	1.81	1.76	1.66	1.78	1.84
Price of Angolan oil (average, USD/barrel)	60.9	77.8	110.3	103.8	96.0
Consumer Price Index (y-o-y change, end of period)	14.0	15.3	11.4	9.0	9.2
Fiscal balance (% of GDP)	-7.4	5.5	10.2	8.5	-1.2
Non-oil primary fiscal balance (% of non-oil GDP)	-57.7	-44.1	-48.2	-47.4	-43.8
Net foreign exchange reserves (in millions of USD)	12,622	17,328	26,084	30,632	40,309
Imports cover by gross reserves[1]	4.6	5.4	6.6	6.9	7.1
Average exchange rate (AKZ/USD)	79.2	91.9	94.0	95.7	96.3

Source: IMF, BNA, INE, Finance Min. Angola.

[1]) Gross foreign exchange reserves in terms of cover of months' goods and services imports in the following year.

For the next few years, the IMF forecasts the accumulation of public deficits, making the need to diversity revenue sources an urgent matter, namely through the expansion of the tax base. On the spending side, the recent creation of the Sovereign Fund indicates the authorities' concern to protect the economy against the volatility in international crude-oil prices. However, the circumstances under which it is possible to resort to the instrument with the object of stabilising public expenditure have not yet been clarified.

The State's financing needs amount to 12 th.M.US$, compared with an average of 5.6 th.M.US$ in the past three years. The Angolan Treasury will cover 40% of financing requirements through the issue of securities on the domestic market. Also envisaged is the recourse to the international market through a *Eurobonds* issue. In 2013, T-Bond issues indexed to the dollar and T-Bill issues were resumed.

T-Bill interest rates rose slightly in the longer-dated maturities, 6 and 12 months, to 3.84% and 5.15%, respectively. However, when inflation is taken into account, they remain in negative territory, suggesting high liquidity and the scarcity of instruments at the disposal of local financial institutions.

Inflation and interest rates

The key monetary policy interest rate (the BNA rate) remained unchanged in the last few months at 10 %, as well as the liquidity provision rate at 11.25%. However, the liquidity absorption rate was cut by 0.25 p.p. to 1%, with the goal of reducing banks' deposits at the central banks and thus channel funds to lending to the economy. On the other hand, the compulsory reserves coefficient on commercial banks' deposits in local currency was reduced from 20% to 15%, also supporting that objective.

Monetary policy continues to be the principal instrument for the nominal exchange rate, having also contributed to anchoring inflation to historical lows (in June, year-on-year inflation was situated at 9.19%). Despite the decrease in inflationary expectations, the economy's financing costs remain at high levels, translating difficulties in the execution of contracts and in the monitoring of credit risk on the part of the financial system.

Loans

Lending to the economy grew at an annual average rate of 12.9% in May 2013, a deceleration when compared with the growth noted in 2012 (+16.1%). This deceleration is in part influenced by the trend in loans to the public sector, which represents roughly 30% of total loans and which has reduced recourse to bank loans (-1.4% in the last twelve months up till May). Loans directed at the private sector have risen at an annual average rate of 20% to May, which compares with 26% growth in 2012. By economic sector, there was a marked increase in lending to agriculture and livestock, fishing, utilities and health and social welfare. However, the credit structure continues to be dominated by the construction, wholesale and retail, other collective activity sectors and by loans to individuals.

Deposits

Deposits in the financial system continue to evolve favourably, benefiting from the progressive increase in the provision of financial services throughout Angolan territory. The annual average growth in deposits stood at 18.2% in May, decelerating relative to that recorded in 2012 (+29.1%), with deposits in local currency representing 55% of the total.

MOZAMBICAN ECONOMY

Economic activity

Mozambique has maintained robust growth rates in the past 5 years, in excess of 6%, with a tendency to accelerate. In 2012, the real Gross Domestic Product growth rate (GDP) accelerated to 7.4%, compared with the 7.3% expansion in 2011. Contributing to this performance was the mining sector's development, the expansion of electric energy generation capacity and the rising Foreign Direct Investment (FDI), directed above all at the mega investment projects for the exploitation of natural resources, notably gas and coal. The relative diversification of economic activity, with the significant weight of the agricultural and industrial sector (namely aluminium smelting) as well as the diversification of exports not related to the major investment projects (including tobacco, wood, sugar, chestnuts and cashew nuts, prawns, etc.), also injected resilience into the economy. Although starting from a low base, the country has been asserting itself as one the region's most dynamic.

The Mozambique government's projections embodied in the Economic and Social Plan for 2013 foresee a GDP expansion of 8.4% in 2013. Contributing significantly to this scenario should be the increased output from the industrial mining sector resulting from the growing exploitation of natural resources and the expansion of financial activities. However, these forecasts are adversely affected by the floods that affected the country in the early months of the year, jeopardising in particular the agricultural, transportation and extractive sectors, and by the escalating tension between the two major political parties. The International Monetary Fund's latest estimate foresees a slightly less robust growth rate of 7.0%.

The increase in FDI flows should continue to fuel economic growth. In 2012, Mozambique was the second biggest recipient of FDI in Africa. Indeed, foreign investment flows, directed primarily at the industrial mining sector – 84% of the total – more than doubled relative to 2011. However, the mining sector's expansion continues to be restricted by the need to improve the various infrastructure networks in order to lower the costs of connecting the mines in the interior to the sea ports. Currently, the transportation capability is out of kilter with production, hampering the fulfilment of the mining industry's potential.

Inflation once again registered a tendency to accelerate in the first six months of the year, motivated by the dynamism of economic activity, by the inflation imported from South Africa, the currency's depreciation against the American dollar and by the higher international prices of certain commodities with a substantial impact on domestic prices. For 2013, the Bank of Mozambique forecasts the persistence of inflationary risks which should materialise in an annual average inflation rate of 7.0%

Financial sector

The Bank of Mozambique once again cut its benchmark interest rates in May and maintains the cycle of accommodative monetary policy, namely, seeking to mitigate the effects of the sluggish global economy, namely those stemming from the developed countries, reflected above all in the smaller flow of donations and also the subdued demand directed at Mozambique's exports. Accordingly, the central bank has supported the acceleration of lending to the economy, the balance on which posted a year-on-year increase of 24% up till March, compared with the expansion of just 6% in the same month of 2012. The demand for loans has also been influenced by Mozambique's growing trading relations with the rest of the world. Deposits in the banking system registered a strong acceleration, with their balance rising by 30% in March relative to the same month a year earlier.

Domestic commercial banking

INDIVIDUALS AND SMALL BUSINESS BANKING

At the end of the first six months of 2013, Individuals and Small Business Banking looked after 1.6 million customer accounts, 1.9 % more than in June 2012, while being responsible for a customer resources portfolio of 19 770 M.€ and a loans and guarantees portfolio of 14 141 M.€. During the first half of the year 57 thousand new accounts were opened.

Given BPI's balanced liquidity situation, the Bank maintains the remuneration of term deposits at levels below the market average, simultaneously making available several savings and investment solutions, amongst which the offer of Unit Trust Funds and Capitalisation Insurance.

CUSTOMER RESOURCES

At 30 June 2013, Individuals and Small Business Banking's customer resources totalled 19 770 M.€, which represents a decrease of 6.3% relative to June 2012.

Customer resources[1]

Amounts in M.€

	30 Jun.12	31 Dec.12	30 Jun.13	Δ% Jun.12/ Jun.13
Sight deposits	3 469.1	3 521.1	3 605.7	3.9%
Term deposits	11 452.1	10 713.1	10 964.1	-4.3%
Bonds and structured products[2] placed in Customers	1 950.9	1 639.1	937.2	-52.0%
PPR [3]	1 122.0	1 076.3	1 073.7	-4.3%
Insurance capitalisation[4]	1 421.8	1 313.1	1 422.3	0.0%
On-balance sheet resources	**19 415.9**	**18 262.7**	**18 003.1**	**-7.3%**
Unit trust funds[4]	1 021.8	1 095.8	1 133.4	10.9%
PPR [5]	668.2	657.6	633.5	-5.2%
Off-balance sheet resources	**1 690.0**	**1 753.4**	**1 766.9**	**4.6%**
Total Customer resources	**21 105.9**	**20 016.1**	**19 770.0**	**-6.3%**
Note:				
Corporate bonds held by Customers	445.2	949.3	1 014.1	

1) Not including securities portfolios.
2) Secure and limited risk capital bonds.
3) PPR in the form of capitalisation insurance
4) Excludes PPR.
5) PPR in the form of unit trust funds

On-balance sheet resources were 1 413 M.€ less than in June 2012, which corresponds to a -7.3% rate of change. Contributing to this behaviour were the maturities of Obrigações BPI, namely in the 1st half of 2013, as well as the decrease in the Term Deposits portfolio and the strong demand on the part of customers in the Public Bond Offering subscriptions of Portuguese companies observed in the 2nd half of 2012.

Term Deposits contracted by 488 M.€ relative to June 2012 (-4.3%). It is worth noting that relative to December 2012 the term deposits portfolio grew by 251 M.€, primarily through the attraction of 1 to 3 year deposits and term deposits which permit customers earn higher rates to the degree that their relationship with the Bank intensifies.

Also noteworthy were the levels of customer adherence to Savings Accounts, investments which permit additional contributions to small savings. At the end of June 2013 there were more 89 thousand customers with periodic top-up plans associated with this type of account.

The retirement savings plans portfolio (planos de poupança reforma - PPR), in the form of capitalisation insurance and unit trust funds, recorded a contraction of 83 M.€ (-4.6%) relative to June 2012. This behaviour is explained by redemptions on attaining the age limit which were not compensated by new subscriptions. In the 1st half of 2013 the decrease in the volume of redemptions and the greater stability in the amount of subscriptions via periodic top-up plans, contributed to a slowdown in the PPR portfolio's decline.

The capitalisation insurance portfolio (excluding PPR) increased by +109.2 M.€ relative to December 2012, to stand at 1 422 M.€, that is similar to the figure in June 2012. Contributing to this trend was the demand from customers for alternative solutions to term deposits.

Off-balance sheet resources rose by 76.9 M.€ (+4.6%) on the June 2012 figure, notably due to the growth in Unit Trust Funds, excluding PPR, up +111.6 M.€ (+10.9%) relative to June 2012, essentially influenced by the performance of Money Market Funds.

CUSTOMER LOANS

In June 2013, the individuals' and small businesses' loans and guarantees portfolio amounted to 14 141 M.€, which corresponds to a decrease of 780.8 M.€ (-5.2%) when compared to June 2012. Loans to individuals were down by 511.9 M.€ (-3.9%) while loans to small businesses decreased by 251.3 M.€ (-14.5%).

Customer loans and guarantees

Amounts in M.€

	30 Jun.12	31 Dec.12	30 Jun.13	Δ% Jun.12/ Jun.13
Loans to individuals				
Mortgage loans[1]	11 936.4	11 739.3	11 584.0	-3.0%
Personal loans[2]	722.4	678.0	643.1	-11.0%
Credit cards[3]	158.9	160.8	148.2	-6.8%
Car finance[4]	225.3	189.1	156.0	-30.7%
Loans to individuals	**13 043.2**	**12 767.2**	**12 531.3**	**-3.9%**
Loans to small businesses				
Commercial loans[5]	1 289.5	1 168.6	1 110.8	-13.9%
Equipment leasing[4]	68.1	56.3	48.6	-28.7%
Property leasing[4]	360.5	334.9	311.4	-13.6%
Factoring[4]	9.0	6.1	5.1	-43.6%
Loans to small businesses	**1 727.1**	**1 565.9**	**1 475.9**	**-14.5%**
Total loan portfolio	**14 770.3**	**14 333.1**	**14 007.2**	**-5.2%**
Guarantees and sureties	151.4	140.7	133.7	-11.7%
Total	**14 921.6**	**14 473.7**	**14 140.9**	**-5.2%**

1) Loans guaranteed by fixed property. Correspond mainly to home loans and loans for alterations.
2) Includes consumer loans and credit line for privatisations.
3) Includes amounts of non-customer outstanding loans.
4) Motor car finance and leasing advanced by Individuals and Small Business Banking.
5) Includes overdrafts, overdrawn current accounts, discounted notes and other loans which make up the range of credit products designed primarily for sole proprietors and small businesses.

Mortgage loans, personal loans and car finance

BPI's mortgage loans portfolio totalled 11 584 M.€, representing a decrease of 352.4 M.€ (-3.0 %) when compared with the June 2012 figure. Despite the backdrop of shrinking demand and the continued application of more restrictive risk-evaluation criteria, the practice of competitive interest rates permitted a 4% increase in new business contracted relative to the 1st half of 2012.

The personal loans portfolio amounted to 643.1 M.€ in June 2013, registering an 11.0 % decrease relative to June 2012.

In Individuals and Small Business Banking the motor car finance portfolio amounted to 156.0 M.€, down by 30.7% when compared with June 2012, as a result of the steep decline in sales of light passenger vehicles and the consequent decrease in demand for credit that has characterised the past few years.

Commercial loans, leasing and factoring

The commercial loans, leasing and factoring portfolio essentially aimed at sole proprietors and small businesses posted a drop of 251.3 M.€ (-14.5%) relative to June 2012, reflecting the strong contraction in investment and the lower demand for credit.

In the 1st half of 2013, BPI maintained leading positions in the programmes launched by the government aimed at supporting small and medium-sized companies: in the Fincresce programme, under which the PME Líder status is awarded to companies, the Bank attained a 42% share.

BPI contracted 1 372 operations involving an overall value of 45 M.€ with Individuals and Small Business Banking customers within the ambit of the PME Crescimento (SME Growth) Credit Lines.

As regards the PME Investe / Crescimento credit lines, BPI was involved in 20 764 operations worth 2 031 M.€ which permitted it achieving leadership through its 19.2% market share.

CREDIT AND DEBIT CARDS

At the end of June 2013, the number of debit cards placed with customers stood at 1 082 thousand cards. Accumulated billing was situated at 2 731 M.€, reflecting a 0.4% drop relative to the same period last year.

At the end of June 2013, Banco BPI had in its portfolio 540.3 thousand credit cards, -2.7% relative to the same month of 2012. Accumulated billing totalled 456.7 M.€, down 4.3% when compared with June 2012 while outstandings (portfolio balance) were situated at 148.2 M.€, which represents a 6.8% decline vis-à-vis the corresponding month last year.

Credit and debit cards

Selected indicators

	30 Jun.12	31 Dec.12	30 Jun. 13	Δ% Jun.12/ Jun.13
Debit cards				
Number of debit cards at the end of the period (x th.)	1 088.4	1 085.4	1 082.0	(0.6%)
Billing (M.€)	2 742.2	5 738.1	2 731.0	(0.4%)
Credit cards				
Number of credit cards at the end of the period (x th.)	555.6	544.6	540.3	(2.7%)
Billing (M.€)	477.2	975.5	456.7	(4.3%)
Loan portfolio (M.€) [1]	158.9	160.8	148.2	(6.8%)

1) Outstandings of Individuals and Small Business Banking customers and non-customers.

SALARY (PAYDAY) ACCOUNTS

In June 2013, BPI had 342.1 thousand salary (Payday) accounts with automatic salary domiciliation, 7.5% more than in the same month of 2012, thereby maintaining the upward trajectory of the last few years. The promotional activity undertaken in the 1st half of 2013 was marked by the commercial campaign "I earned more" in the first half of 2013 (April and May), with the offer of 10% of the amount of the first Automatic Salary Domiciliation credited to a Cartão Dá Valor (Get Value Card), with a maximum limit of € 499, by complying with the campaign's requirements.

ISOLATED SALE INSURANCE

During the course of the 1st half of 2013, the focus remained trained on the sale of business insurance through the conception and dynamic promotion of these products amongst the small companies, sole proprietors and liberal profession segments. The business insurance portfolio posted a 52% growth relative to June 2012.

In global terms, considering all the autonomous sale insurance, the portfolio expanded to 255 thousand policies in June 2013, corresponding to a 9% year-on-year growth.

Isolated sale insurance

Selected indicators — Amounts in thousand

	30 Jun.12	31 Dec.12	30 Jun.13	Δ% Jun.12/ Jun.13
Individuals	221,5	229,4	234,6	5,9%
Companies	13,7	16,1	20,8	51,7%
Total	**235,2**	**245,5**	**255,4**	**8,6%**

QUALITY

ECSI

85% of customers declare their satisfaction with the service provided by BPI

During the 1st six months of 2013, the results of the ECSI 2012 – National Index of Customer Satisfaction - were released, bearing testimony to the high degree of BPI customers' satisfaction.

In 2012 BPI, despite its 3rd place ranking amongst the banks surveyed, improved its classification in virtually all the variables surveyed.

CSI MARKTEST

CSI Balcão

BPI leads in the indicators for Attendance Quality, Waiting Time Satisfaction, Satisfaction with Employees' Courtesy/Friendliness, Satisfaction with Branch Service, Ideal Branch Proximity and Expectations as to Overall Quality.

CSI Internet Banking

BPI also leads in the indicator Satisfaction as regards security mechanisms.

Quality of service

The principal internal indicator which evaluates the quality of service, the Branch Service Quality Index (SQI) recorded historical highs in the first half of 2013.

The Branch SQI is calculated quarterly through the gathering of customer opinions about the quality of service received at each one of BPI's branches. This indicator attained in the first and second quarters of 2013 the best results ever with 898 and 895 points respectively (out of 1 000).

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

In the first half of 2013, the maintenance of the challenging macroeconomic and financial landscape continued to reflect itself negatively on the business and investment levels of Portuguese companies. In light of this environment, BPI pursued a policy of support and proximity to Portuguese companies:

- The Bank maintained very competitive conditions in the BPI Empresas (Companies) and BPI Negócios (Business) lines earmarked for financing investment and corporate treasuries, in the total amount of 1 500 M.€.
- BPI continued to occupy a prominent position in the principal programmes and public statutes (PME Investe/Crescimento, PME Líder and PME Excelência).
- In order to promote debate about matters of prime importance for Portuguese companies, BPI organised seminars addressing the challenges for exports, the prospects for agriculture, the importance of innovation and the quality of Management Information. The 18 sessions staged in 2013 were attended by more than 2 000 participants.
- With structures overseas and specially-tailored packages, BPI consolidated the support for Portuguese companies' exports and internationalisation drives: the Business Development Unit, the Africa Office and the "Angola-Companies Solutions", the Mozambique Financial Services Division and the "Mozambique-Companies Solutions", the Spanish Companies Office and the "Iberian Solutions for Companies", not to mention the "Brazil Express Line".

In order to respond to the specific segments' needs, innovative products and services were created at the same time as the range of financing solutions boosted, namely:

- *Innovative companies:* within the ambit of the "Risk Sharing Instrument" (RSI), the 1st credit line guaranteed by the European Investment Fund (EIF) was launched the BPI-EIF Innovation line worth 60 million euro.
- *Export companies*: to provide assistance for this priority segment, its worth to highlight the "BPI Secure Export" product, a credit insurance which covers individual exports, invoice by invoice. In addition, the offer of Trade Finance at BPI Net Empresas, with a broad range of functionalities overseas, constitutes the most comprehensive Internet Corporate Banking solution in this area.
- *Urban rehabilitation projects*: as the only private Bank selected by the European Investment Bank (EIB) to manage the JESSICA programme in the North and Alentejo regions, BPI had at the end of June 40 projects valued at more than 150 M.€ under analysis. 14 projects have already been approved, which includes the recuperation of the Igreja and Torre dos Clérigos in Porto and the new premises of the Porto Business School.
- *Agricultural sector*: At the end of June 2013, BPI continued to be leader in financing with the backing of Agrogarante - Sociedade de Garantia Mútua. Increasingly becoming a specialist in this sector, the Bank offered financial solutions which include protocols with sectorial organisations and associations, as well as with equipment suppliers. In 2013, BPI played a key role in the main initiatives which promote national Agriculture – it was the official sponsor of the 50th National Agriculture Fair, sponsor of the 30th edition of Ovibeja, it was present at the IX National Maize Congress and at SISAB 2013.

As concerns credit risk analysis, the Bank maintained a policy of great rigour as well as practices and processes that ensure a permanent oversight and monitoring of companies.

In June 2013, the customer loan portfolios of Corporate Banking, Institutional Banking and Project Finance totalled 9 512 M.€, down 15.4% on the same period last year. Resources totalled 2 222 M.€, reflecting a 1.1% increase on the June 2012 figure.

Corporate Banking, Institutional Banking and Project Finance
Selected indicators

Amounts in M.€

	30 Jun.12	31 Dec.12	30 Jun.13	Δ% Jun.12/ Jun.13
Loan portfolio				
Corporate loans	5 669.0	5 302.2	4 586.8	-19.1%
Large companies	2 763.1	2 503.7	2 008.5	-27.3%
Medium-sized companies	2 905.8	2 798.6	2 578.3	-11.3%
Project Finance – Portugal	1 234.8	1 201.3	1 206.8	-2.3%
Madrid branch	1 889.4	1 750.1	1 658.1	-12.2%
Project Finance	739.1	749.6	749.9	1.5%
Companies	1 150.3	1 000.5	908.2	-21.0%
Public sector	2 452.1	2 208.0	2 060.7	-16.0%
Total loan portfolio	**11 245.3**	**10 461.6**	**9 512.3**	**-15.4%**
Resources[1]	2 198.3	2 183.9	2 221.8	1.1%

1) Includes sight and term deposits.

COMPANIES AND LARGE CORPORATIONS

At the end of June 2013, the loans and guarantees portfolios of the Companies and Large Corporations segment amounted to 2 578 M.€ and 2 009 M.€, respectively, which correspond to decreases of 11% and 27% relative to the preceding year.

It should be noted that these decreases are compatible with the background analysed in the April 2013 economic survey covering investment, in which the INE (Statistics Portugal) estimates a contraction of 28.1% in business investment in 2012, forecasting a less pronounced deceleration in 2013. This INE report points out that the chief factor identified as limiting business investment by companies in 2012 and 2013 was the worsening outlook for sales, followed by uncertainty regarding the return on investments.

Notwithstanding this backdrop, BPI continued to secure companies access to financing under special conditions through the PME Investe/Crescimento Lines. The Bank is the leader in these lines with more than 2 031 M.€ worth of operations processed, representing market share of 19.2% and corresponding to 20 764 operations.

Turning to the PME Líder and PME Excelência (i.e. SME in English) statutes, the Bank has been assuming a sustained leading position. In 2012, for the 5th consecutive time, BPI was the principal bank in assisting SMEs in obtaining the PME Líder statute. Of the total of the PME Líder companies, 31% were awarded the statute via BPI while 61% are BPI customers. At the close of June 2013, BPI's leadership reached 42% of the PME Líder statutes awarded.

In the PME Excelência statute, BPI has also been the leader since it was first introduced, for the 4th consecutive year. In 2012, the statute was awarded to 1 314 companies: 39% of the PME Excelência companies adhered through BPI, while 61% of PME Excelência firms are the Bank's customers.

Turning to Large Corporations, complementing the direct granting of loans, BPI has been particularly active in the mounting and placing of bonds issued by large national corporations as an alternative form of their financing.

Since December 2011, with BPI's direct support in the placing or subscription of 14 bond issues, these companies raised finance totalling 1 824 M.€ (62% of the total issued), underscoring BPI's commitment to Portuguese companies. In the first half of 2013, BPI placed 697 M.€ in bond issues on behalf of REN, Mota Engil, Galp Energia and Secil.

PROJECT FINANCE

The project finance segment's loan portfolio in June 2013 totalled 1 957 M.€, corresponding to a slight decline (-0.9%) on the same month a year earlier.

By virtue of the constraints imposed by the current macroeconomic climate, the project finance market in Portugal continues to register a slowdown due, in particular, to the stoppage of the launching of new public spending projects under the public-private partnerships regime. In parallel, the Bank continues to refrain from participating in new operations on the international market.

The Project Finance area remains particularly active in the provision of financial advisory services, whether private or to public sector entities (market in which it occupies a prominent position), including a portfolio of projects in which it plays the role of permanent financial consultant. The most salient sectors are health, infrastructures (namely water and waste) and transportation.

MADRID BRANCH

The loan portfolio domiciled at the Madrid Branch at the end of June 2013 stood at 1 658 M.€, a result of a strategy pursued by the Bank of not entering into new syndicated operations in Spain.

PUBLIC SECTOR

The Institutional Banking and State Business Sector Division cater for institutional clients, public-sector companies and other companies controlled by public-sector entities.

Loans to Public Sector clients totalled 2 061 M.€ at the end of June 2013, representing a 16% year-on-year contraction.

Bancassurance

In the insurance area, BPI has a strategic partnership with the sector's world leader, the German Allianz group. This association has been forged via BPI's holding in the capital of Allianz Portugal (35%) and an insurance distribution agreement through the Bank's commercial network.

BPI customers thus have at their disposal a comprehensive range of insurance products. This range includes both life risk – which embraces death and disability insurance – and non-life branches – which comprise motor insurance and all-risks insurance: homes, fire, works and installations, public liability, theft, personal accident, unemployment and illness.

Bancassurance's performance in the 1st half of 2013 is reflected in the following income indicators:

- The value of commissions was 19.2 M.€;
- Insurance premiums totalled 68.4 M.€ , which corresponds to 1.2% growth.
- The number of insurance policies at the end of June 2013 was 464 thousand active policies in life assurance and 455 thousand active policies in non-life policies.

Asset management

At the end of the 1st half of 2013, BPI Gestão de Activos had a volume of financial assets under management of 7 849 M.€, which represents a 6.2% increase relative to the corresponding period of 2012. This increase, in the amount of 457 M.€, was motivated by the increase recorded in the assets under management of Pension and Unit Trust Funds. The amount of capitalisation insurance under management also presented a slight increase relative to June 2012. The remaining segments suffered a decrease in their assets.

Assets under management

Amounts in M.€

	30 Jun. 12	31 Dec. 12	30 Jun. 13	Δ% Jun. 12 / Jun. 13
Unit trust (mutual) funds	1 916	2 038	2 125	11%
Real estate unit trust funds	196	193	193	(2%)
Pension funds	1 736	1 882	1 991	15%
Capitalisation insurance	3 052	2 990	3 093	1%
Institutional customers	492	506	447	(9%)
Total	**7 392**	**7 609**	**7 849**	**6%**

Unit trust funds

Unit trust funds (Portuguese acronym FIM) under management totalled 2 125 M.€ at the end of June 2013. At the close of June 2013, BPI Gestão de Activos occupied third place in unit trust fund management in Portugal, with a 14.5% market share (16.2% in June 2012).

Unit trust funds under management

Amounts in M.€

	30 Jun. 12	31 Dec. 12	30 Jun. 13	Δ% Jun. 12 / Jun. 13
Bonds and money market	538	703	860	60%
Capital growth (equities)	376	376	374	(1%)
Tax efficiency (PPR/E and PPA)	713	698	671	(6%)
Diversification	290	261	220	(24%)
Total	**1 917**	**2 038**	**2 125**	**11%**

In the period under review it is worth highlighting the positive behaviour of the "Bonds and Money Market" segment, with a 60% rise relative to June 2012. Contributing to this trend were mainly:

- The 116% growth of the FEI BPI Monetário Curto Prazo fund, which on that date totalled 458 M.€ under management;
- The growth of around 77% of the assets under management of the BPI *High Income* fund, domiciled in Luxembourg;
- The launch of the BPI Obrigações Portuguesas III fund in July 2012.

On the negative side, of note was the Diversification category which maintained the downward trend, presenting a 24% drop when compared with June 2012. At the origin of this decline were primarily the BPI Brasil and BPI Precious Metals funds with decreases in assets of approximately 40%.

During the 1st half of year, BPI Gestão de Activos unveiled a new investment offer, launching in Luxembourg a replica of the *BPI Alternative Fund*.

REAL ESTATE UNIT TRUST FUNDS

At 30 June 2013, assets under management of the real-estate unit trust funds totalled 193 M.€, the identical figure as that at the end of 2012 and 2% less than the June 2012 figure (while the sector posts a year-on-year change of +0.4%).

BPI Gestão de Activos has a 1.7% market share as regards the real-estate unit trust funds.

Recognition of BPI Gestão de Activos

BPI Gestão de Activos was distinguished with 2 awards in the 2013 edition of the Morningstar – Diário Económico Awards for the best unit trust funds in the following categories:

- Best National Equities Fund Manager (award received for the 5th consecutive year);
- Best National Portugal Equities Fund – BPI Portugal.

CAPITALISATION INSURANCE

At 30 June 2013 the accumulated new contracting of capitalisation insurance by BPI Vida e Pensões was 330 M.€, which corresponds to a 156.8% increase when compared with the 1st half of 2012, being the second biggest new business written during the 1st half of the past 6 years.

The volume of managed assets was situated on 30 June 2013 at 3 093 M.€, evidencing a minor increase (1.3%) relative to the 1st half of the preceding year.

PENSION FUNDS

At 30 June 2013 BPI Vida e Pensões managed 1 991 M.€, relating to 133 corporate pension plans, of which 79 are Defined Contribution, 44 are the Defined Benefit type and 10 are mixed plans. Compared with the end of the previous year four new mandates were obtained, a defined-benefit plan and three defined-contribution plans.

Investment banking

CORPORATE FINANCE

The Merges and Acquisitions business in Portugal continued to register low volumes, influenced by the backdrop of economic and financial crisis, which tends on the one hand to affect the risk perception of potential investors and consequently their investment decisions in Portuguese assets, and on the other by limiting the capability to fund potential operations. The almost total disappearance of *middle market* operations makes the corporate finance business particularly volatile, dependent on a few large deals. In any event, the decrease in Portuguese debt spreads and the prospects of a progressive normalisation of financing conditions (although with spreads still above the pre-crisis levels) have permitted sustaining an important degree of interest on the part of potential investors and prospective deals analysed.

Against this background, BPI Corporate Finance has managed to secure its involvement in the majority of the main operations in Portugal, as well as in a number of other medium-sized deals, maintaining in addition an important level of deal flow of prospective operations.

The M&A market in Portugal has essentially been characterised by (i) privatisations, (ii) concentration operations in the domestic market (iii) sale of companies or assets with a view to deleveraging or (iv) Portuguese companies investing abroad in order to reduce their exposure to the Portuguese market.

During the first half of 2013 BPI was involved in several major deals, including: advising the Optimus Board of Directors in the merger with Zon; advising Prisa on the sale of its magazines in Portugal (Lux, Lux Woman and Revista de Vinhos); advising the shareholders of Wiese & Krohn on the sale to the Fladgate Partnership Group (Taylor's); assisting a group of investors in the preparation of a proposed acquisition of a motor vehicle components manufacturing company.

In addition, BPI advised a broad range of national entities, including its traditional clients as well as new clients in the taking of investment decisions, restructuring and financing decisions. Meriting special mention was the support given to Ascendum in the analysis of strategic options in international markets; assisting Fidequity in analysing an investment opportunity, the advice given to Corporacion America in analysing an investment opportunity; assisting Efanor in the evaluation and preparation of a business opportunity; assisting Inter-Risco in the opening up of the capital of a subsidiary; support in the possible sale of a medical services company; advising in the valuation of the insurance broking business of Villas-boas acp. Also noteworthy was the advice given by BPI to Partex in the valuation of its crude-oil assets.

Listed below are some of the advisory mandates of a public nature in which BPI was involved during the first half of 2013.

Optimus – Advising the Board of Directors in the merger with Zon.
Prisa – Advising on the sale of the magazine business in Portugal (Lux, Lux Woman and Revista de Vinhos).
Wiese & Krohn – Advising shareholders on the sale to The Fladgate Partnership (Taylor's).
Ascendum – Advising on the analysis of an international investment opportunity.
Fidequity – Advising on the evaluation and analysis of an investment opportunity
Corporacion America – Analysing an investment opportunity.
Efanor – Analysis of a business opportunity.
ACP – Valuation of the insurance broking business of Villasboas acp
Inter-Risco – Preparation of the business plan and preparing for the opening up of a subsidiary's capital.

BUSINESS DEVELOPMENT UNIT

Mission

The Business Development Unit (BDU) specialises in the provision of financial advisory and investment banking services to Angolan entities, and to incentivise foreign investment in Angola, through the provision of a comprehensive range of advisory services to companies wishing to invest in Angola and to assist BFA in the mounting of larger or more complex operations.

Over the past few years, the BDU team has worked intensively on the institutional marketing of the "*Oportunidade Angolana*" ("Angolan Opportunity") project in different regions. In this domain, the BDU has supported innumerable investment projects in Angola on the part of foreign companies, from sectors such as agriculture and fishing, food, beverages, manufacturing infrastructures, etc.

In the 1st half of 2013, the BDU continued to develop an intensive commercial activitywhich in the context of economic growth in Angola and the robust investment in the country, resulted in the prospecting for and execution of an appreciable number of financial advisory assignments.

EQUITIES

Secondary market

In the first half of 2013, BPI brokered share dealings worth 3.3 th.M.€ and generated net brokerage commissions of 4.4 M.€.

Online brokerage

In this period, the BPI Group was market leader in online brokerage for individual investors with an aggregate market share of 24.8%, handling deals worth 1 378 M.€. BPI offers two services which permit access to the national markets and 12 international bourses:

- BPI NetBolsa, integrated within the range of homebanking services for Banco BPI customers, which being the leader in Portugal in online brokerage for 4 years by trading volumes, once again outperformed in the first six months of 2013 with a 23.0% market share;
- BPI Online, the Investment Bank's exclusive channel.

Primary market

BPI's activity in this segment was limited as a consequence of the absence of capital operations and major public offers for subscriptions on the Iberian market. Over the next few quarters, there is expected to be an increase in activity on the primary market due to privatisation operations in Portugal and Spain which could be structured with a major component of shares being sold on the stock market.

Research and sales – Iberia & France

BPI continues to be amongst the research houses with the greatest coverage of companies listed on the Portuguese and Spanish markets. At the end of June 2013, the universe of BPI Equity Research coverage included 119 European companies: 71 companies in Spain, 26 in Portugal, one in Denmark and 21 French, of which 18 companies from the new office in Paris with a local team of 5 staff.

BPI continued to organise various events with the object of bringing together companies and the community of institutional investors. During the first half of the year, several road shows were organised for Iberian companies, as well as marketing activities with analysts in the various markets. In total, some 35 road shows with more than 20 Portuguese and Spanish companies were staged, which visited institutional investors in various markets, not only throughout Europe, but also in the United States, Canada and Australia. In addition, a number of reverse road shows were organised, in which institutional investors visit the companies on site.

BPI Capital Africa

BPI Capital Africa, the subsidiary in South Africa and member of the Johannesburg Stock Exchange, continued to expand its stockbroking business for institutional investors. During the first half of 2013, it increased its universe of research coverage from 32 to 66 shares, including a number of companies listed on various sub-Saharan African stock markets (South Africa, Ghana, Nigeria, Kenya, Ruanda, Tanzania, Uganda, Zambia and Zimbabwe). Besides this, BPI Capital Africa maintained contact with some 70 institutional investors in South Africa, Europe, United States and Asia.

At the end of June 2013, the BPI Capital Africa team comprised 14 people (from Portugal, South Africa, Zimbabwe, Mozambique and England).

Trading

The Equities Department's trading is mainly segregated into two funds managed by Banco Português de Investimento: BPI Alternative Fund – Iberian Equities Long/Short FEI (since January 2010) and BPI Alternative Fund – Iberian Equities Long/Short GIF (since February 2013). In both funds, BPI holds more than 85% of the participating units in circulation.

From the consolidation of these funds in Banco BPI's accounts, together with the share arbitrage business carried on directly in the bank's balance sheet, resulted at the end of June 2013 profits from financial operations in the amount of around 2.5 M.€. BPI's initial investment in both funds was 60 M.€

Recognition

At the end of the 1st half of 2013, the Iberian team was composed of 30 employees, of whom 14 were attached to the research team and 16 to sales and trading.

This team received great recognition in the rankings of Iberian brokers, including the following awards:

Thomson Extel
- #1 Iberian Corporate Access;
- #2 Iberian Trading & Execution;
- #3 Iberian Research;
- #3 Iberian Equity Sales;

Institutional Investors
- #2 Iberian Research Team – 2013 Institutional Investor Awards.

Deloitte
- #1 Portuguese Research Team – IRG Awards.
- #1 Equity Analyst: Bruno Silva – IRG Awards

Starmine by Thomson Reuters
- #1 Iberian Broker – Analyst awards.

NYSE Euronext
- Most active Research House 2012 – Portugal

PRIVATE BANKING

At the end of June 2013, BPI Private Banking's business volume amounted to 3 449 M.€, which translates into a year-on-year increase of 3.2%. Assets under management and advisory mandate, in the amount of 2 925 M.€, registered a 1.4% increase relative to June 2012, whilst stable investments under custody grew by 26% relative to the same period a year ago. The loan portfolio was situated at 86 M.€, corresponding to a 22% decrease versus the June 2012 figure.

The economic and market background in the 1st half of 2013 remained adverse, marked by high volatility and uncertainty.

In this scenario, priority was given to preserving clients' wealth, opting for high liquidity instruments and minimal volatility in the security component of portfolios. At the same time, we sought to implement gradual diversification in investments, taking advantage of specific products or markets, which translated into a decrease in the volumes allocated to deposits and directing these to investment solutions such as Funds, Structured Products, Capitalisation Insurance and Securities.

Prospecting for new clients in the first half of 2013 represented 4% of the initial client base.

Private Banking
Selected indicators

Amounts in M.€

		Jun.12	Jun.13	Δ%
Discretionary management and advisory services	1	2 885	2 925	1.4%
Stable investments under custody	2	346	437	26%
Loans portfolio	3	111	86	(22%)
Business volume [= Σ1 to 3]	4	**3 342**	**3 449**	**3.2%**

PRIVATE EQUITY

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

At the end of June 2013, the overall portfolio of the Group's private equity assets, comprising its own portfolio and the participating interest in venture-capital funds, amounted to some 69 M.€, at balance sheet values.

The participating units in venture-capital funds corresponded at the close of June 2013 to:

- The participating interest of 51.8% in the Fundo Caravela - Fundo de Capital de Risco with a capital of 30 M.€, promoted by BPI and managed by Inter-Risco. This fund is now in the disinvestment stage;
- The 46% participating interest in the Fundo Inter-Risco II, launched in 2010, and which is similarly managed by Inter Risco. At the end of 2011, the fund-raising period was completed, having attained a sum of 81.5 M.€. Besides BPI's participation as sponsor with a position of 37.5 M.€, it boasts as key investors the European Investment Fund and the Fundação Calouste Gulbenkian. The fund adheres to a generalist sectorial approach and focuses on buyout and build-up investments in unlisted small and medium-size Portuguese companies. The investment period began in 2010 and extends till 2014. At the present date, the Fundo IR II has made investments in the following areas (i) oral health in Portugal (acquisition of a stake in the 32 senses group), (ii) cold logistics (with the acquisition of Frissul); (iii) veterinary medicine (through One Vet Group), currently with two hospitals and eleven clinics and (iv) hotels with the creation in March 2013 of the Just Stay Hotels, destined for the implementation of a *buy and build* strategy in the limited service hotels industry, with the first acquisition expected to occur still in 2013.
- The 9% participating interest in the Fundo PVCi, a 111 M.€ fund managed by the European Investment Fund, specialising in the investment in private equity and venture-capital funds in Portugal.

BPI made an additional investment of 30 M.€ in the Fundo IR II CI, a fund managed by Inter Risco geared to making co-investments in tandem with the Fundo IR II, reinforcing in this manner the investment capability in SMEs and build-up projects. This investment was formalised on 4 July 2013 and complies with the commitment made by BPI within the ambit of its capitalisation plan.
The portfolio of investments under management in BPI's Private Equity area at 30 June 2013 was as follows:

Investimentos de Private Equity

	% held	Description
Managed funds		
Caravela fund	51.8%	Early-stage and seed capital investments in Portuguese SME's
Inter-Risco II fund	46.0%	Expansion and buyout investments in Portuguese SME's
PVCi	9.0%	Investment in private equity and venture capital funds in Portugal
Equity interests[1]		
Inter-Risco	49.0%	Venture capital fund manager

1) Includes participating interest of 2.72% in Corporación Financiera Arco stemming from the swap operation involving the shares of United Wineries Holding, S.A. (present name of Arco Bodegas Unidas) for shares of the holding company which controls it (operation took place in May 2013). Besides United Wineries Holding, Corporación Financiera Arco has other shareholdings in other wine producing and distribution companies, in addition to assets in the hotel business and associated with wine-making. Those holdings also include a 20.0% stake in Caravela Gest (Food retailing - Haagen Dazs) and a 9.2% stake in Conduril (civil engineering and public works).

International operations

BANCO DE FOMENTO ANGOLA

In June 2013 Banco de Fomento Angola's (BFA) shareholders' equity was 557 M.€, while assets at the same date totalled 6 171 M.€.

At the close of June 2013, BFA boasted a commercial network comprising 171 branches, which represents a 7% growth relative to the same period a year ago.

Resources

Customer resources in June 2013 amounted to 5 354 M.€, registering a 9% growth relative to the same period in 2012.

BFA had a 15.9% market share in deposits in May 2013.

Loans

The customer loans portfolio decreased by a year-on-year 6.6% to 1 135 M.€. According to central bank statistics (BNA), BFA's market share in May 2013 was 10%.

Securities portfolio

BFA's securities portfolio at 30 June 2013 amounted to 1 691 M.€ which represented 27% of the Bank's assets. The short-term securities portfolio, constituted by Treasury Bills, was 211 M.€ while the portfolio of medium-term securities comprising Treasury Bonds, denominated in AKZ and in USD, amounted to 1 476 M.€.

Cards and automated banking

BFA has a leading position in debit and credit cards in Angola, recording, at the end of June 2013, 741 thousand valid debit cards, which corresponded to a market share of 22.9%. On the same date there were 14 thousand active credit cards (Classic and Gold).

The Bank maintains a prominent position in terms of the stock of active POS and ATM equipment in June 2013, having terminated the first half of the year with 4 356 POS terminals, corresponding to first place with a 26.9% market share, and 334 ATM corresponding to second position with a 16.9% market share.

Insofar as Remote Banking is concerned, BFA SMS had 224.5 thousand subscriber customers at the end of June. As concerns homebanking, BFA registered in June 2013 a total of 357.2 thousand users of BFA Net, of whom 348.7 thousand correspond to the Individuals segment and 8.5 thousand to the Companies segment.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	Jun.12	Jun.13	Δ%
Net total assets	5 661	6 171	9.0%
Loans to Customers	1 216	1 135	-6.6%
Customer resources	4 912	5 354	9.0%
Shareholders' equity	521	557	6.7%
Employees (no.)	2 213	2 380	7.5%
Branches (no.)	160	171	6.9%
ATM machines (no.)	311	334	7.4%
POS (no.)	3 337	4 356	30.5%
Customers (thousand)	971	1 139	17.3%

CAMPAIGNS

BFA Net Empresas

Institutional campaign with the objective of promoting the homebanking services for companies. The payment of salaries without having to go to the bank was the central message throughout the campaign.

SPONSORSHIPS

Luanda carnival

BFA supported the Luanda Carnival as part of its strategy of paying tribute to the popular tradition and Angola's vast cultural heritage. The Bank sponsored this event for the 7th time reinforcing its intention to be present at the country's main cultural festivities.

Clube Desportivo 1º de Agosto

BFA renewed for the 4th consecutive year its sponsorship of the senior soccer team of the Clube Desportivo 1º de Agosto. The sponsorship extends to all competitions in which 1º de Agosto is involved in, namely the Girabola and Taça de Angola (Angola Cup).

AWARDS

Best commercial bank in Angola

BFA was distinguished with the award "Best Commercial Bank in Angola in 2013" by the portal Global Banking and Finance Review. The distinction had as the chief factor the diversified range of products and services, while also highlighting: launch of distinctive and innovative products; the extensive branch network and the Social Responsibility area, which embraces projects in the fields of Health, Education and Social Solidarity.

Superbrands 2013

BFA was distinguished for the third time as a brand of excellence by Superbrands.

Familiarity, Relevance, Satisfaction, Loyalty and Commitment were the main factors which were the cornerstone of this honour.

The Superbrands Angola project reveals the Brands of Excellence elected for their performance on the national market.

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

Total assets at the end of the first half of 2013 were 1 911 M.€, representing a 15% increase relative to June 2012. In June 2013 the Bank had a 28.2% market share of the Mozambican financial system's total assets.

Deposits

Deposits taken from Customers registered in June 2013, when measured in euro, a 17% growth, amounting to 1 408 M.€. Deposits in national currency constituted the most important component of the aforementioned growth. At the end of June 2013, BCI had a 28.9% market share in deposits.

Loans

The net loans portfolio, valued in euro, posted 5% growth, standing at 999 M.€. The loan portfolio's moderate performance is explained by the stringent lending policy and balance sheet management, namely for liquidity and the transformation ratio. BCI's market share in the loan segment was situated in June 2013 at 28.4%.

Distribution network

Reflecting BCI's commitment to the commercial network's expansion in recent years, the bank in June 2013 boasted a total of 130 distribution points, of which 116 traditional branches, 7 business centres and 7 exclusive centres. On the other side, the ATM and POS network increased by 15 units (+5%) and 1 420 units (+47%), respectively in the last year, to total 319 ATM and 4 444 POS. The bank's customer base numbered 639 thousand (up 31%) who were served by a total of 2 039 employees.

Banco Comercial e de Investimentos

Selected indicators — Amounts in M.€

	Jun.12	Jun.13	Δ%
Net total assets	1 667	1 911	14.6%
Loans to Customers (net)	955	999	4.6%
Customer deposits	1 200	1 408	17.4%
Shareholders' equity	123	138	11.6%
Employees (no.)	1 805	2 039	13.0%
Branches (no.)	127	130	2.4%
ATM machines (no.)	304	319	4.9%
POS (no.)	3 024	4 444	47.0%
Customers (thousand)	486	639	31.5%

MOZAMBIQUE FINANCIAL SERVICES DIVISION

Given the importance of the Project Finance activities in Portuguese-speaking countries, in particular, Angola, Mozambique and Cape Verde, the Mozambique Financial Services Division and a Mozambique-law Financial Services Company based in Maputo, undertake the promotion, prospecting and execution of financial consultancy, organisation and mounting of structured financing mandates.

At the end of June 2013, the loans and guarantees portfolio in African countries monitored by the Mozambique Financial Services Division totalled 108.8 M.€.

ESTABLISHMENT OF BPI MOÇAMBIQUE

The necessary formal procedures are currently underway for the commencement of business, envisaged for the end of July of a Mozambique-law investment company in Maputo – BPI Moçambique, dedicated to the provision of services in the area of financial consultancy and medium/long-term financial structuring in Mozambique and surrounding countries.

BPI Moçambique, in the conduct of its business, will seek to liaise with the major specialist areas of Banco BPI in Portugal, notably with the Mozambique Financial Services Division, the Africa Office, the Business Development Unit (Angola) and the Research Department, as well as in Mozambique, with BCI.

These developments are aimed at reinforcing the Bank's commitment to the Mozambican market, complementing the existing presence, and keeping pace with Mozambique's growth and the ambitious investment plans scheduled for the next few years in the country.

Financial review

OVERVIEW OF CONSOLIDATED RESULTS

Consolidated

BPI recorded in the first half of 2013 a consolidated net profit of 58.9 M.€, which corresponds to a 30.7% decrease when compared with the 85.1 M.€ net profit reported for the same period last year.

Earnings per share (Basic EPS) was 0.043 € (0.085 € in the 1st half of 2012).

The return on consolidated average shareholders' equity (ROE) was situated at 5.2%.

Domestic operations' contribution to consolidated profit in the six months was 20.4 M.€. The ROE on domestic operations - to which 85% of the Group's capital is allocated - was situated at 2.1%.

International activity - which refers primarily to the business carried on by BFA in Angola and, on a smaller scale, by BCI in Mozambique – contributed 38.5 M.€ to consolidated profit.

In the 1st half of 2013, in its individual accounts, BFA generated a return on shareholders' equity (ROE) of 26.3%, while BCI posted a ROE of 19.5%.
The ROE from international activity (after consolidation adjustments) was situated at 22.6%. An average of 15% of the Group's capital was allocated to international operations in the 1st half of 2013.

Net profit, efficiency and profitability Amounts in M.€

	1st half 2012	1st half 2013		
	Consolidated	Domestic activity	International activity	Consolidated
Profit, eficiency and profitability				
Net profit	85.1	20.4	38.5	58.9
Net profit per share[1]	0.085	0.015	0.028	0.043
Cash flow after taxation	282.9	183.8	52.2	236.0
Net operating revenue	632.9	425.9	157.7	583.7
Net operating revenue per Employee[2] (thousands of euro)	72	67	68	67
Operating costs / net operating revenue (last 12 months) [3]	60.0%	53.2%	41.3%	50.2%
Operating costs / net operating revenue, excluding non-recurring impacts (last 12 months) [4]	65.4%	76.3%	41.3%	65.0%
Average total assets	43 941	38 873	6 042	43 709
Return on average total assets (ROA)	0.6%	0.1%	2.5%	0.4%
Average Shareholders' equity[5]	1 769	1 915	341	2 256
Return on average Shareholders' equity (ROE)[5]	9.6%	2.1%	22.6%	5.2%

1) Net profit divided by the average number of issued shares, after deducting treasury stocks, and adjusted for the capital increase by way of cash injection realised in August 2012 (200 M.€).
2) Taking into consideration the number of Employees of the companies which are consolidated in full.
3) Operating costs as a percentage of net operating revenue.
4) Excluding non-recurring impacts on both costs and revenues.
5) In calculating ROE, the fair value reserve (net of deferred taxes) relating to the portfolio of available-for-sale financial assets is excluded from shareholders' equity.

Consolidated income statement

Amounts in M.€

		Domestic activity			International activity			Consolidated		
		1st H.12	1st H.13	Δ%	1st H.12	1st H.13	Δ%	1st H.12	1st H.13	Δ%
Net interest income (narrow sense)	1	180.7	129.2	(28.5%)	94.1	90.0	(4.4%)	274.8	219.2	(20.2%)
Other income [1]	2	17.3	17.1	(0.8%)	0.0	0.3		17.3	17.4	0.8%
Net interest income [= 1 + 2]	3	**198.0**	**146.4**	**(26.1%)**	**94.1**	**90.2**	**(4.1%)**	**292.1**	**236.6**	**(19.0%)**
Technical result from insurance contracts	4	12.3	11.2	(8.2%)				12.3	11.2	(8.2%)
Commissions and other similar income (net)	5	133.0	130.0	(2.3%)	23.8	27.1	13.7%	156.9	157.1	0.2%
Profits from financial operations	6	145.8	147.3	1.0%	32.3	41.0	27.0%	178.1	188.3	5.7%
Operating income and charges	7	(6.5)	(9.0)	(40.1%)	0.1	(0.6)	(836.0%)	(6.4)	(9.6)	(50.7%)
Net operating revenue [= ∑ 3 to 7]	8	**482.6**	**425.9**	**(11.7%)**	**150.3**	**157.7**	**5.0%**	**632.9**	**583.7**	**(7.8%)**
Personnel costs, excluding non-recurring items	9	155.7	150.6	(3.3%)	31.1	33.2	6.9%	186.8	183.8	(1.6%)
Outside supplies and services	10	91.9	91.5	(0.5%)	27.5	28.0	1.7%	119.5	119.5	0.1%
Depreciation of fixed assets	11	10.6	9.4	(11.7%)	6.3	6.5	3.4%	16.9	15.9	(6.1%)
Operating costs, excluding non-recurring personnel costs [= ∑ 9 to 11]	12	**258.3**	**251.5**	**(2.6%)**	**64.9**	**67.7**	**4.4%**	**323.2**	**319.2**	**(1.2%)**
Non-recurring personnel costs / (gains) [2]	13	(7.3)	0.8	110.5%	0.0	0.0		(7.3)	0.8	110.5%
Operating costs [= 12+13]	14	**251.0**	**252.2**	**0.5%**	**64.9**	**67.7**	**4.4%**	**315.9**	**320.0**	**1.3%**
Operating profit [= 8 - 14]	15	**231.6**	**173.7**	**(25.0%)**	**85.3**	**90.0**	**5.5%**	**317.0**	**263.7**	**(16.8%)**
Recovery of loans written-off	16	6.4	9.1	41.6%	1.3	1.3	1.1%	7.7	10.4	34.9%
Loan provisions and impairments	17	139.4	145.0	3.9%	7.0	5.6	(19.7%)	146.5	150.6	2.8%
Other impairments and provisions	18	33.0	9.0	(72.6%)	1.5	1.5	(0.6%)	34.5	10.6	(69.4%)
Profits before taxes [= 15+ 16 - 17 - 18]	19	**65.6**	**28.8**	**(56.2%)**	**78.1**	**84.1**	**7.8%**	**143.7**	**112.9**	**(21.4%)**
Corporate income tax	20	24.5	13.7	(44.1%)	2.9	11.6	299.4%	27.4	25.3	(7.6%)
Equity-accounted results of subsidiaries	21	4.8	5.9	24.6%	4.0	4.3	7.0%	8.7	10.2	16.6%
Minority interests	22	0.7	0.6	(14.6%)	39.3	38.3	(2.6%)	40.0	38.9	(2.8%)
Net profit [= 19 - 20 + 21 - 22]	23	**45.2**	**20.4**	**(54.9%)**	**39.8**	**38.5**	**(3.3%)**	**85.1**	**58.9**	**(30.7%)**
Cash flow after taxation [= 23 + 11 + 17 + 18]	24	**228.3**	**183.8**	**(19.5%)**	**54.7**	**52.2**	**(4.6%)**	**282.9**	**236.0**	**(16.6%)**

1) Unit-linked gross margin, income from equity instruments and commissions related to amortised costs (net).
2) Non-recurring impacts:
In 1st half of 2012: a net gain of 7.3 M.€ which was due to (i) early-retirement costs of 25.0 M.€ and (ii) recognition of gains of 32.3 M.€ resulting from changes in calculating the death subsidy following the publication of Decree Law 133/2012.
In 1st half of 2013: a net cost of 0.8 M.€ resulting from (i) early-retirement costs of 4.1 M.€ and (ii) recognition of gains of 3.3 M.€ resulting from changes in calculating the death subsidy following the publication of Decree Law 13/2013.

Geographical segmentation of the BPI Group's domestic activity

4) 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 provided by the Madrid branch -, and the activities relating to investment banking – conducted by Banco Português de Investimento -, private equity, asset management and insurance.
5) International operations comprise the activity conducted by Banco Fomento Angola (BFA), 50.1% held and consolidated in full, as well as well as the activity of Banco Comercial e de Investimentos (BCI) in Mozambique, which BPI equity accounts by virtue of its 30% shareholding, the operations of BPI Dealer in Mozambique (92.7% held) and the operations of BPI Capital África in South Africa (100% held). International operations contributed to net profit in the first half of 2013 as follows: Banco Fomento Angola with 35.9 M.€, BCI with 3.9 M.€, BPI Dealer Mozambique with -0.4 M.€ and BPI Capital África with -0.9 M.€.

At 30 June 2013 Banco BPI presents adequate capitalisation and good risk indicators, full cover of pension liabilities by pension funds' assets, a loan/deposits ratio of 101% and minimal medium and long-term refinancing needs.

Adequate capitalisation

According to Bank of Portugal rules

Core Tier I capital [1] amounted to 3.5 thousand M.€ at the end of June 2013. This figure corresponded to 15.3% of risk-weighted assets, which represented a capital surplus of 1.2 thousand M.€ vis-à-vis the 10% minimum prescribed for Portuguese banks. Taking into consideration the 80 M.€[2] early redemption of CoCo bonds which took place on 16 July 2013, the core tier I ratio would have been 15.0%, corresponding to a capital surplus of 1 150 M.€.

According to the Capital Requirements Directive IV (CRD IV) / Capital Requirements Regulation (CRR)

The core Tier I capital calculated in accordance with the CRD IV / CRR fully implemented[3] rules (that is, without benefiting from the phasing-in period envisaged in those rules) and after the 80 M.€ CoCos redemption realised on 16 Jul.13, amounts to 2.1 th.M.€. The core Tier I ratio stands at 8.8%, which relative to the minimum ratio of 7% (core Tier 1 minimum ratio plus the conservation buffer) corresponds to a capital surplus of 345 M.€

1) Essentially shareholders' equity, minority interests (excluding preference shares) and 1.0 thousand M.€ of contingent convertible subordinated bonds subscribed by the State under BPI's Recapitalisation Plan.
2) On 16 July 2013, the amount of CoCo bonds held by the State was reduced from 1 000 M.€ to 920 M.€.
3) Calculation according to BPI's interpretation of the CRD IV / CRR rules based on details known to the Bank at the present date.

According to the European Banking Authority's (EBA) Recommendation

The Core Tier I ratio contemplated in the European Banking Authority's Recommendation (EBA) in force at the end of June 2013, which takes into account the valuation of sovereign debt held at 30 September 2011 at market prices ruling on that date, stood at 9.8%, thus complying with the 9% minimum ratio.

Balanced funding and liquidity

Balance sheet funding is stable and the liquidity situation in equilibrium:

- Customer deposits (24.4 th.M.€) constitute the principal source of balance sheet funding. The loan-to-deposits ratio according to Bank of Portugal Instruction 23 / 2011 was situated at 101% in June 2013, an improvement relative to the 107% ratio in June 2012.
- The amount of resources obtained by BPI from the ECB was 4 th.M.€ (9.3% of assets) at the close of June 2013. On that date, BPI held a portfolio of Portuguese short-term public debt (balance sheet value of 3.6 th.M.€) with a value close to the resources raised from the ECB;
- The bank had assets capable of being transformed into immediate liquidity via operations with the ECB of 6 396 M.€;
- The medium and long-term debt refinancing needs occurring in the 2nd half of 2013 are virtually nil (29 M.€) and are minimal in the following years: 1.1 th.M.€ from 2014 till 2018. It is also worth noting that in 2019 there will be the repayment of 3 thousand M.€ of public-debt bonds held by BPI in its portfolio.

Quality of assets

BPI continues to maintain good loan quality indicators:

- The ratio of loans in arrears for more than 90 days was 3.4%;
- The credit-at-risk ratio was 4.9%;
- Accumulated impairments for loans and guarantees amounted to 941 M.€.
- Accumulated loan impairments with defaulting instalments (of 0.6 th.M.€)[1] and guarantees (real or personal) covered 78% of the total exposure, that is , loans in arrears for more than 30 days and associated loans falling due;
- Credit risk cost reflected in the income statement represented 1.04% of the loan portfolio in the 1st half of 2013, in annualised terms;
- The gross value of foreclosed properties was 168.6 M.€ and was 41% covered by impairment allowances.

1) In addition, BPI had collective impairments of 363 M.€ for loans without any instalments in arrears and for guarantees (see note to the financial statements 2.2.4). Considering also this amount, cover for total overdue loans and associated loans falling due stood at 102.5%.

Pension liabilities fully covered

At the end of June 2013, liabilities for retirement pensions to be borne by BPI (948 M.€) were 110% covered by pension funds.

Capital, liquidity, assets quality and pension liabilities

Amounts in M.€

	1st half 12	1st half 13		
	Consolidated	Domestic activity	International activity	Consolidated
Capital				
Shareholders' equity and minority interests	1 307	1 598	592	2 190
Core tier I capital [1]	3 640			3 552
Total own funds [1]	3 652			3 522
Risk weighted assets [1]	25 186			23 219
Core Tier I ratio [1]	14.5%			15.3%
Core Tier I ratio (EBA)	9.4%			9.8%
Funding and liquidity				
Loans-to-deposits ratio[1]	106.9%	123.2%	21.1%	101.2%
ECB funding / Total assets	9.0%	10.4%		9.3%
ECB funding / Eurozone sovereign bond portfolio	66.3%	60.8%		60.8%
Assets quality				
Loans in arrears for more than 90 days	750	888	57	945
Loans in arrears for more than 90 days / Loans to Customers	2.6%	3.3%	4.7%	3.4%
Credit at risk[2]/ Loans to Customers	3.6%	4.8%	7.0%	4.9%
Net credit loss[3]	0.83%	1.05%	0.80%	1.04%
Pension liabilities				
Employee pension liabilities	814	948		948
Employees pension funds assets	897	1 045		1 045
Cover of pension obligations	110.3%	110.3%		110.3%

1) According to Bank of Portugal Instruction 23 / 2011.
2) Includes loans in arrears for more than 90 days, associated loans falling 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.
3) Loan impairment charges in the year, after deducting recoveries of loans in arrears written-off (in the income statement) as a % of the Customer loans average portfolio.

Consolidated balance sheet

Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12/ Jun.13
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	3 484.3	3 433.5	3 458.1	(0.8%)
Loans and advances to Customers	2	28 212.3	27 345.5	27 014.4	(4.2%)
Financial assets held for dealing	3	961.1	1 111.6	1 100.6	14.5%
Financial assets available for sale	4	9 246.7	10 252.9	9 498.1	2.7%
Investments held to maturity	5	479.7	445.3	253.0	(47.3%)
Investments in associated companies and jointly controlled entities	6	186.5	202.3	209.2	12.2%
Other	7	2 085.3	1 773.5	1 634.1	(21.6%)
Total assets [= ∑ 1 to 7]	8	**44 656.0**	**44 564.6**	**43 167.4**	**(3.3%)**
Liabilities and shareholders' equity					
Resources of central banks	9	4 037.7	4 270.9	4 132.8	2.4%
Credit institutions' resources	10	1 400.9	2 568.4	1 884.0	34.5%
Customer resources and other loans	11	25 136.3	24 621.1	25 379.0	1.0%
Debts evidenced by certificates	12	5 139.1	3 787.6	2 884.5	(43.9%)
Technical provisions	13	2 350.6	2 255.4	2 352.2	0.1%
Financial liabilities associated to transferred assets	14	1 690.6	1 591.0	1 478.0	(12.6%)
Contingent convertible subordinated bonds	15	1 500.7	1 200.3	1 041.6	(30.6%)
Other subordinated loans and participating bonds	16	174.7	156.3	144.4	(17.4%)
Other	17	1 918.1	2 052.9	1 680.7	(12.4%)
Shareholders' equity attributable to BPI shareholders	18	985.4	1 708.0	1 850.7	87.8%
Minority interests	19	322.1	352.7	339.6	5.5%
Total Shareholders' equity and minority interests [=18+19]	20	**1 307.4**	**2 060.6**	**2 190.3**	**67.5%**
Total liabilities and Shareholders' equity [= ∑ 9 to 19]	21	**44 656.0**	**44 564.6**	**43 167.4**	**(3.3%)**
Note: bank guarantees	22	2 476.7	2 390.4	2 165.4	(12.6%)
Off-balance sheet Customer resources [1]	23	2 734.3	2 913.3	3 060.7	11.9%

1) Unit trust funds, PPR, PPA and BPI Suisse assets under management. Amounts net of fund units held in the portfolios of the Group's banks.

GROUP CAPITAL

ACCOUNTING SHAREHOLDERS' EQUITY

Accounting shareholders' equity was 2 190 M.€ at the end of June 2013 and corresponded to:

- Shareholders' equity attributable to BPI's shareholders of 1 851 M.€;
- Minority shareholders' interests of 340 M.€, corresponding essentially to Unitel's 49.9% equity holding in BFA (279 M.€) and to the preference shares held by BPI Capital Finance (51 M.€).

Shareholders' equity and minorities interests trend in the 1st half 2013

Amounts in M.€

		Shareholders' equity attributable to BPI shareholders	Minority interests	Total
Shareholders' equity and minority interests at 31 Dec. 12	1	**1 708.0**	**352.7**	**2 060.6**
BFA dividends paid to minorities interests	2		(54.0)	(54.0)
Net profit	3	58.9	38.9	97.8
Actuarial variances, net of deferred taxes	4	30.8		30.8
Change in the fair value reserve, net of deferred taxes	5	51.8		51.8
Other	6	1.1	2.1	3.2
[= ∑ 2 to 6]	7	**142.7**	**(13.0)**	**129.7**
Shareholders' equity and minority interests at 30 Jun. 13 [=1+7]	8	**1 850.7**	**339.6**	**2 190.3**

CAPITAL RATIOS

According to Bank of Portugal rules

Core Tier I capital totalled 3 552.2 M.€ at the end of June 2013, including 1000 M.€ of CoCo bonds held by the State. The amount of CoCo bonds belonging to the State was subsequently reduced to 920 M.€. following the redemption of 80 M.€ realised on 16 July.

Relative to December 2012, core Tier I capital decreased by 131.6 M.€. This trend is mainly explained by the following factors:

- Decrease in core capital as a result of the early redemption of 200 M.€ of CoCo bonds which occurred in March and which reduced the amount of CoCos owned by the State from 1200 M.€ to 1000 M.€;
- Increase in core capital stemming from the 103.4 M.€ increase in accounting shareholders' equity and minority interests, excluding the fair value reserve relating to the bonds[1]. This increase essentially reflects the net profit generated in the six months.

The Core Tier I capital ratio (according to the Bank of Portugal's rules) stood at 15.3% at the close of June 2013, compared with a 10% minimum ratio prescribed for Portuguese banks.

Considering the early redemption of CoCo bonds which took place on 16 July, the core tier I ratio would then be 15.0%.

Even if the CoCo bonds were not taken into account in core capital, BPI would still present a Core Tier I ratio of 11.0%, thereby continuing to comply with the minimum ratio requirement for Portuguese banks.

1) Accounting shareholders' equity and minority interests, net of profits to be distributed and excluding preference shares (recorded in minority interests), amounted to 2 106 M.€ in June 2013. Excluding the negative fair value reserve relating to bonds (addition of 437 M.€) which is not eligible for calculating core Tier I capital according to the Bank of Portugal's rules, the figure is 2 543 M.€ in June 2013, compared with a figure of 2 439 M.€ in December 2012.

Own funds requirements ratio

Calculated according to the Bank of Portugal rules

Amounts in M.€

			30 Jun. 12	31 Dec. 12	30 Jun. 13
Accounting shareholders' equity attributable to BPI shareholders		1	**985.4**	**1 708.0**	**1 850.7**
Minority interests, excluding preference shares		2	263.7	294.6	280.2
Dividends attributable to BPI shareholders		3	-	-	
BFA dividends attributable to minority interests		4	(26.4)	(53.8)	(24.9)
	[∑ 1 to 4]	5	1 222.7	1 948.8	2 105.9
Contingent convertible subordinated bonds		6	1 500.0	1 200.0	1 000.0
	[=5+6]	7	2 722.7	3 148.8	3 105.9
Exclusion of:					
Actuarial deviations from pension liabilities that remain in the bank without impact in core tier I		8	62.3	69.5	36.8
Fair value reserve in bonds, net of deferred taxes[1]		9	865.9	490.4	436.7
Positive fair value reserve in equities[2]		10	(26.3)	(23.6)	(22.1)
Revaluation reserves of fixed assets included in Tier II		11	(8.5)	(8.5)	(8.5)
Other adjustments		12	(1.5)	(3.4)	(0.8)
	[∑ 8 to 12]	13	891.8	524.3	442.0
Inclusion of:					
Intangible fixed assets		14	(10.9)	(14.0)	(14.3)
Deferred adjustments resulting from the transition to IAS / IFRS [3]		15	36.6	24.7	18.6
	[∑ 14 to 15]	16	25.7	10.7	4.2
Core Tier I	[= 7 + 13 + 16]	**17**	**3 640.2**	**3 683.8**	**3 552.2**
Preference shares		18	51.3	51.3	51.3
Deduction of participating interests in credit institutions and insurance companies		19	(91.3)	(91.4)	(93.6)
Basis own funds	[=17 + 18 + 19]	**20**	**3 600.2**	**3 643.7**	**3 509.9**
Complementary own funds		**21**	**52.2**	**30.9**	**12.1**
of which, complementary own funds before deductions		22	145.4	125.5	109.1
of which, deduction of participating interests in credit institutions and insurance companies		23	(91.3)	(91.4)	(93.6)
of which, other deductions		24	(2.0)	(3.2)	(3.4)
Total own funds	[= 20 + 21]	**25**	**3 652.4**	**3 674.6**	**3 522.0**
Risk-weighted assets		**26**	**25 186.4**	**24 511.8**	**23 218.9**
Core Tier I ratio	[= 17 / 26]	**27**	**14.5%**	**15.0%**	**15.3%**
Tier I ratio	[= 20 / 26]	28	14.3%	14.9%	15.1%
Own funds requirements ratio	[= 25 / 26]	29	14.5%	15.0%	15.2%

Note: Core Tier 1 capital comprises accounting shareholders' equity and minority interests (excluding preference shares) and the contingent convertible subordinated bonds (1000 M.€ at the end of June 2013, which was reduced to 920 M. on 16 July) subscribed by the Portuguese State under BPI's Recapitalisation Plan, to which the following adjustments are made:

- addition of unrealised losses on bonds available for sale (437 M.€), which in accordance with Bank of Portugal regulations are not deducted from regulatory capital;
- addition of negative actuarial variances accommodated in the prudential corridor (37 M.€).

1) Pursuant to Bank of Portugal Notice 6 of October 2008, unrealised losses on the portfolio of available-for-sale bonds, without signs of impairment, which are recorded directly in shareholders' equity (in the fair value reserve), are not deducted from regulatory capital. Similarly, the unrealised gains on bonds available for sale (recorded in the fair value reserve) are also excluded from the regulatory capital.

2) The unrealised gains on shares available for sale which are recorded directly in shareholders' equity (in the fair value reserve), are excluded from core capital. Subsequently, 45% of the unrealised gains is added to complementary own funds (at the end of June 2013 the amount added back to complementary own funds was 9.9 M.€, corresponding to 45% of 22.1 M.€).

3) The impacts of the transition to IAS / IFRS are being recognised in own funds up till and including 2014.

According to the Capital Requirements Directive IV (CRD IV) / Capital Requirements Regulation (CRR)
On 22 July, following the entry into force of the new capital rules laid down by the CRD IV/CRR, the EBA made public the decision to replace its recommendation of 2011 with new capital preservation measures. The new rules provide amongst other aspects that banks maintain the value of the capital in euro needed to comply with the capital requirements prescribed by the previous EBA Recommendation with reference to 30 June 2012, or a lower figure, provided that they comply with the minimum Core Tier 1 capital (4.5%) and the capital conservation buffer (2.5%) prescribed by the CRD IV / CRR rules, considering the full implementation of these rules (CRD IV "fully implemented"), that is, without benefiting from the phasing-in period envisaged in those rules.

The **core Tier I ratio,** already taking into consideration the 80 M.€ redemption of CoCo bonds realised on 16 July and calculated in accordance with the CRD IV / CRR fully implemented[1] rules, stands at 8.8%[3]. This ratio corresponds to a capital surplus of 345 M.€ relative to the 7% minimum ratio.

The **leverage ratio is situated at** 5.0%[2,3] according to the CRD IV Fully Implemented rules (minimum in calibration ratio, while it is expected to be situated at 3%).

The **Liquidity coverage ratio (LCR)** and the **Net stable funding ratio (NSFR) stand at** 481%[2, 3] and 114%[2, 3] according to the CRD IV Fully Implemented rules, whose minimum values will be 100%.

1) Calculations according to BPI's interpretation of the CRD IV / CRR rules, based on details known to the Bank at the present date. The core Tier I ratio calculated according to the CRD IV / CRR rules for 2014 stands at 13.2%.
2) Calculation taking into consideration the redemption of 80 M.€ worth of CoCo bonds made on 16 Jul.13.
3) Disregarding the 80 M.€ redemption of CoCo bonds, the core Tier I ratio would then be 9.3%, the leverage ratio 5.2%, the Liquidity coverage ratio (LCR) 481% and the Net stable funding ratio (NSFR) 114%.

According to the European Banking Authority's (EBA) Recommendation
The Core Tier I capital ratio calculated in accordance with the European Banking Authority's (EBA) Recommendation of December 2011 in force on 30 June 2013 was 9.8% (versus the 9% minimum ratio required from Portuguese banks).

The European Banking Authority's (EBA) Recommendation of December 2011 took into consideration the valuation of sovereign debt exposures at market prices ruling on 30 September 2011.

Core Tier I ratio
According to the EBA rules

Amounts in M.€

	30 Jun. 12	31 Dec. 12	30 Jun. 13
Core Tier I (Bank of Portugal)	**3 640**	**3 684**	**3 552**
Deductions of shareholdings in credit institutions and insurance	(91)	(91)	(94)
Temporary capital needs			
EBA temporary sovereign buffer	(1 359)	(1 359)	(1 359)
Amount recognised in the P&L account (Greece)	175	175	175
Temporary capital needs	(1 184)	(1 184)	(1 184)
Core Tier I (EBA)	**2 365**	**2 409**	**2 275**
Risk weighted assets	25 186	24 512	23 219
Core Tier I ratio (EBA)	**9.4%**	**9.8%**	**9.8%**

The recalculation of capital requirements with reference to the positions held and the market prices of these assets at the end of June 2013 would result in temporary capital requirements of 504 M.€, which amount is 679 M.€ below the EBA's temporary buffer (1 184 M.€).

Recalculation of the temporary capital buffer for sovereign debt exposure

Amounts in M.€

		30 Sep. 11				30 Jun. 13				
		Nominal value	EBA temporary capital buffer 1)			Nominal value	Recalculation of the temporary capital buffer1)			
			Securities	Derivatives	Total		Securities	Derivatives	Total	
Sovereign debt (after taxes)										
Portugal	1	2 766	(582)	(125)	(708)	5 306	(116)	(159)	(276)	
Of which:										
Treasury bonds - bought before 31 Dec. 11		2 732	(582)	(125)	(708)	1 702	(121)	(159)	(280)	
Treasury bills		34	-	-	-	3 604	4		4	
Italy	2	975	(66)	(73)	(139)	975	8	(99)	(92)	
Ireland	3	355	(37)	(19)	(56)	335	16	(28)	(12)	
Greece	4	480	(136)	(39)	(175)					
[∑ 1 to 4]	5	**4 576**	**(822)**	**(256)**	**(1 078)**	**6 616**	**(93)**	**(286)**	**(379)**	
Local governments	6	1 058			(281)	841			(125)	2)
Capital buffer for sovereign risk exposures [=5+6]	7				**(1 359)**				**(504)**	
Amount recognised in results (Greece)	8				175					
Temporary capital needs [=7+8]	9				**(1 184)**				**(504)**	

1) Includes the impact of interest-rate risk hedging.
2) Exposures as at 30 June 2013 and applying average haircuts per maturity estimated by BPI based on 30 June 2013 market prices.

RESULTS FROM DOMESTIC OPERATIONS

In the 1st half on 2013, the BPI Group's domestic operations generated a net profit of 20.4 M.€. The return on average shareholders' equity employed (ROE) was 2.1%.

Domestic commercial banking business contributed to profit with 17.9 M.€[1]. The ROE on commercial banking operations , to which 97.4% of average capital is allocated, was situated at 1.9%.

BPI's investment banking business characterised by a minimal amount of capital consumed, contributed with 0.8 M.€[1] to profit, which corresponded to a ROE of 4.7%. For their part, the contribution from equity holdings was 1.7 M.€[1] (ROE of 23.5%).

1) Contribution adjusted by the reallocation of capital between the areas comprising domestic activity.

ROE by business area in the 1st half of 2013

Amounts in M.€

			Commercial banking	Investment banking	Participating interests and other	Total
Average risk weighted assets		1	**20 344.2**	**377.1**	**158.1**	**20 879.5**
Capital allocated		2	1 734.7	82.2	98.5	1 915.3
Capital reallocation		3	131.6	(47.6)	(84.0)	
Adjusted Shareholders' equity for ROE calculation	[= 2+3]	4	**1 866.2**	**34.6**	**14.5**	**1 915.3**
Net profit		5	17.3	1.0	2.1	20.4
Adjustment to profit due to capital reallocation		6	0.6	(0.2)	(0.4)	
Net profit (adjusted)	[= 5+6]	7	**17.9**	**0.8**	**1.7**	**20.4**
ROE	[=7/4]	8	**1.9%**	**4.7%**	**23.5%**	**2.1%**

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), excluding the fair value reserves (net of deferred taxes) 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 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 calculation. The amount of capital allocated to each area is calculated by multiplying the assets weighted by the quotient between shareholders' equity (excluding 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.

Operating profit

The operating profit from domestic activity amounted to 173.7 M.€, posting a year-on-year decline of 58.0 M.€ (-25.0%).

This behaviour is explained :

- by the decrease in income, chiefly the 26.1% decline in net interest income (- 51.6 M.€). The trend in net interest income is primarily penalised by the interest cost of the CoCo bonds incurred in the 1st half of 2013 (44.8 M.€), while continuing to be under pressure from the low level of short-term interest rates and by the cost of deposits;
- whilst operating costs as reported register a year-on-year change of 0.5%. Excluding non-recurring costs, operating costs show a 2.6% decrease.

Loan impairment charges (net of recoveries) amounted to 135.9 M.€, 2.1% more than the amounts set aside in the same period of 2012. Loan impairments (net of recoveries) represented 1.05% of the loan portfolio in the half year, which compares with an average indicator in the preceding 10 years of 0.33%. For their part, impairment charges for other purposes decreased by 23.9 M.€, to 9.0 M.€ in the 1st half of 2013.

In this manner, total impairment charges (for loans and other purposes) net of recoveries, amounted to 144.9 M.€ in the 1st half of 2013, absorbing 83% of operating profit.

Domestic activity's contribution to consolidated earnings after taxation was situated at 20.4 M.€. After-tax cash flow generated in the six months under review totalled 183.8 M.€.

Domestic activity income statement

Amounts in M.€

			1st half 2012	1st half 2013	Δ%
Net interest income (narrow sense)		1	180.7	129.2	(28.5%)
Other income [1]		2	17.3	17.1	(0.8%)
Net interest income	[= 1 + 2]	3	**198.0**	**146.4**	**(26.1%)**
Technical result from insurance contracts		4	12.3	11.2	(8.2%)
Commissions and other similar income (net)		5	133.0	130.0	(2.3%)
Profits from financial operations		6	145.8	147.3	1.0%
Operating income and charges		7	(6.5)	(9.0)	(40.1%)
Net operating revenue	[= ∑ 3 to 7]	8	**482.6**	**425.9**	**(11.7%)**
Personnel costs, excluding non-recurring items		9	155.7	150.6	(3.3%)
Outside supplies and services		10	91.9	91.5	(0.5%)
Depreciation of fixed assets		11	10.6	9.4	(11.7%)
Operating costs, excluding non-recurring personnel costs	[= ∑ 9 to 11]	12	**258.3**	**251.5**	**(2.6%)**
Non-recurring personnel costs		13	(7.3)	0.8	110.5%
Operating costs	[= 12+13]	14	**251.0**	**252.2**	**0.5%**
Operating profit	[= 8 - 14]	15	**231.6**	**173.7**	**(25.0%)**
Recovery of loans written-off		16	6.4	9.1	41.6%
Loan provisions and impairments		17	139.4	145.0	3.9%
Other impairments and provisions		18	33.0	9.0	(72.6%)
Profits before taxes	[= 15+ 16 - 17 - 18]	19	**65.6**	**28.8**	**(56.2%)**
Corporate income tax		20	24.5	13.7	(44.1%)
Equity-accounted results of subsidiaries		21	4.8	5.9	24.6%
Minority interests		22	0.7	0.6	(14.6%)
Net profit	[= 19 - 20 + 21 - 22]	23	**45.2**	**20.4**	**(54.9%)**
Cash flow after taxation	[= 23 + 11 + 17 + 18]	24	**228.3**	**183.8**	**(19.5%)**

1) Unit-linked gross margin, income from equity instruments and commission associated with amortised costs (net).

BALANCE SHEET

The domestic operations' balance sheet primarily reflects Commercial Banking business conducted in Portugal. At the end of 2013, Customer loans represent 67% of assets while customer resources constitute the primary source of balance sheet funding (60% of assets).

Balance sheet customer resources (excluding capitalisation insurance) provided the funding for 78% of loans. The aggregate of customer resources in the balance sheet (excluding capitalisation insurance), medium and long-term loans and shareholders' equity represented 99% of loans to customers.

The Bank has a portfolio of available-for-sale financial assets of 7.9 th.M.€ (21% of assets). This portfolio essentially corresponds to Portuguese short-term public debt (3.6 th.M.€), Portuguese treasury bonds (1.6 th.M.€), public debt of other euro-zone countries (1.4 th.M.€) and corporate bonds (0.9 th.M.€).

At the end of June, the Bank had 4000 M.€ of ECB resources obtained in the two extraordinary liquidity-provision operations realised by the ECB in December 2011 and February 2012. This figure is close to the value of the portfolio of treasury bills held by the Bank.

At the end of June 2013, the Bank had assets eligible for funding from the ECB of 12 301 M.€ (figures net of valuation changes and haircuts). Taking into account portfolio drawings on that date[1], the Bank had available 6 396 M.€ of those assets capable of being transformed into additional funding from the ECB, which represented 17% of total assets deployed in domestic operations.

The Bank has in recent years negligible net medium and long-term debt refinancing needs taking into consideration maturities as well as bond redemptions (excluding treasury bills) held in the portfolio of available-for-sale assets. Debt refinancing needs in the second half of 2013 are a mere 29 M.€. Refinancing needs, net of bonds redemptions, from 2014 till 2018 amount to 1.1 th.M.€. Additionally, and in the terms of the regime applicable to CoCo bonds, these - currently totalling 920 M.€ - should be redeemed by 29 June 2017, under pain of the respective conversion into equity. It is also worth mentioning that in 2019 there will be a significant release of liquidity through the redemption of 3 thousand M.€ of medium and long-term bonds held by BPI in portfolio.

1) In repo operations, for collaterisation of a number of liabilities and for funding from the ECB.

Domestic activity balance sheet

Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12/ Jun.13
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	1 793.8	1 803.1	1 624.5	(9.4%)
Loans and advances to Customers	2	26 996.8	26 263.2	25 879.4	(4.1%)
Financial assets held for dealing	3	893.4	957.8	992.4	11.1%
Financial assets available for sale	4	7 449.4	8 393.2	7 915.7	6.3%
Investments held to maturity	5	479.7	445.3	253.0	(47.3%)
Investments in associated companies and jointly controlled entities	6	149.5	163.4	167.9	12.3%
Other	7	1 930.3	1 633.2	1 508.3	(21.9%)
Total assets [= ∑ 1 to 7]	8	**39 692.9**	**39 659.1**	**38 341.1**	**(3.4%)**
Liabilities and shareholders' equity					
Resources of central banks	9	4 037.7	4 270.9	4 132.8	2.4%
Credit institutions' resources	10	2 136.6	3 690.9	3 179.6	48.8%
Customer resources and other loans	11	20 163.0	19 307.0	19 953.9	(1.0%)
Debts evidenced by certificates	12	5 139.1	3 787.6	2 884.5	(43.9%)
Technical provisions	13	2 350.6	2 255.4	2 352.2	0.1%
Financial liabilities associated to transferred assets	14	1 690.6	1 591.0	1 478.0	(12.6%)
Contingent convertible subordinated bonds	15	1 500.7	1 200.3	1 041.6	(30.6%)
Other subordinated loans and participating bonds	16	174.7	156.3	144.4	(17.4%)
Other	17	1 751.3	1 957.0	1 576.4	(10.0%)
Shareholders' equity attributable to BPI shareholders	18	689.2	1 383.7	1 537.2	123.0%
Minority interests	19	59.4	59.0	60.7	2.2%
Total Shareholders' equity and minority interests [=18+19]	20	**748.6**	**1 442.8**	**1 597.9**	**113.5%**
Total liabilities and Shareholders' equity [= ∑ 9 to 19]	21	**39 692.9**	**39 659.1**	**38 341.1**	**(3.4%)**
Note: bank guarantees	22	2 187.1	2 072.7	1 966.0	(10.1%)
Off-balance sheet Customer resources [1]	23	2 734.3	2 913.3	3 060.7	11.9%

Note: The above balance sheet relating to domestic operations has not been corrected for the balances resulting from operations with the "International activity" geographical segment. For consolidated purposes, these balances are eliminated.

1) Unit trust funds, PPR, PPA and assets managed by BPI Suisse. Figures net of the participating units in the portfolios of the Group's banks.

Customer loans

The domestic operations' loan portfolio decreased by 1.1 th.M.€ (-4.1%) in year-on-year terms.

The loan portfolio's contraction was transversal to all customer segments, reflecting the retraction in demand provoked by the significant downswing in public and private consumption in the domestic market and in investment.

In this scenario, the Bank continued to apply stringent criteria in the granting of loans.

Customer loans portfolio

Amounts in M.€

		Jun.12	Dez.12	Jun.13	Δ% Jun.12 / Jun.13
Banca de Empresas					
Grandes empresas	1	2 763.1	2 503.7	2 008.5	(27.3%)
Médias empresas	2	2 905.8	2 798.6	2 578.3	(11.3%)
[= ∑ 1 a 2]	3	**5 669.0**	**5 302.2**	**4 586.8**	**(19.1%)**
Project Finance - Portugal	4	**1 234.8**	**1 201.3**	**1 206.8**	**(2.3%)**
Sucursal de Madrid					
Project Finance	5	739.1	749.6	749.9	1.5%
Empresas	6	1 150.3	1 000.5	908.2	(21.0%)
[= ∑ 5 a 6]	7	**1 889.4**	**1 750.1**	**1 658.1**	**(12.2%)**
Sector Público					
Administração central	8	122.7	115.1	109.9	(10.4%)
Administração regional e local	9	1 033.0	916.5	830.7	(19.6%)
Sect. Empresarial Estado - no perímetro orçamental	10	312.9	189.8	218.7	(30.1%)
Sect. Empresarial Estado - fora do perímetro orçamental	11	904.3	909.9	849.9	(6.0%)
Outros institucionais	12	79.2	76.7	51.5	(35.0%)
[= ∑ 8 a 12]	13	**2 452.1**	**2 208.0**	**2 060.7**	**(16.0%)**
Banca de Particulares e Pequenos Negócios					
Crédito hipotecário a particulares	14	11 936.2	11 739.0	11 584.0	(3.0%)
Crédito ao consumo/outros fins	15	722.4	677.7	643.1	(11.0%)
Cartões de crédito	16	160.4	162.3	149.5	(6.8%)
Financiamento automóvel	17	270.4	230.3	193.3	(28.5%)
Empresários e negócios	18	1 743.7	1 576.8	1 480.3	(15.1%)
[= ∑ 14 a 18]	19	**14 833.1**	**14 386.0**	**14 050.2**	**(5.3%)**
BPI Vida [1]	20	**364.0**	**771.1**	**1 694.4**	**365.5%**
Crédito vencido líquido de imparidades	21	**97.3**	**151.9**	**134.6**	**38.4%**
Outros	22	**457.1**	**492.5**	**487.9**	**6.7%**
Total [= 3+4+7+13 + ∑ 19 a 22]	23	**26 996.8**	**26 263.2**	**25 879.4**	**(4.1%)**
Por memória:					
Crédito por assinatura	24	2 187.1	2 072.7	1 966.0	(10.1%)

1) Securitised loans held by BPI Vida e Pensões (fully consolidated), the Group subsidiary which manages capitalisation insurance.

Banco BPI's loan portfolio covering large and medium-sized companies in Portugal declined 19.1% (-1.1 th.M.€) relative to June 2012. BPI also played a key role in facilitating companies' access to the capital market through the issue of bonds as an alternative form of bank financing. Of the total amount of 2250 M.€ of issues realised since December 2011, BPI placed 1 194 M.€ with its customer base, which corresponded to 53% of that total.

The Madrid branch's loan book shrank by 12.2% (-231 M.€) while the portfolio of loans to the public sector and to the state business sector recorded a 16% year-on-year decrease (-391 M.€).

BPI Vida e Pensões, which manages capitalisation insurance, increased the securitised loan portfolio by 1.3 th.M.€ relative to June 2012, corresponding essentially to bonds and commercial paper issued by large Portuguese companies.

Loans to individuals and small businesses registered a 5.3% year-on-year contraction, with decreases in the mortgage loans portfolio of 3.0% (-352 M.€) and in loans to small businesses of 15.1% (-263 M.€).

Customer resources

Customer deposits at the end of June 2013 totalled 19.0 th.M.€, which corresponds to a year-on-year fall of 1.4% (-263 M.€).

The aggregate of deposits and bonds placed with customers declined by -6.7% (-1.4 th.M.€) when compared with June 2012. The trend in these resources must however take into account the placing by the bank amongst its customer base of an amount of 0.7 th.M.€ of bonds issued by Portuguese companies during this period.

Total customer resources which, in addition to the above-mentioned resources carried in the balance sheet, also include the capitalisation insurance under BPI Vida e Pensões' management and off-balance sheet resources (unit trust funds, PPR (retirement savings plans) and PPA (equity savings plans) and financial assets under BPI Suisse's management) amounted to 25.4 th.M.€ at the end of June 2013.

Total Customer resources

Amounts in M.€

			Jun.12	Dec.12	Jun.13	Δ% Jun.12 / Jun.13
On-balance sheet resources						
Deposits						
Sight deposits		1	5 027.6	5 011.2	5 167.4	2.8%
Term and savings deposits		2	14 265.6	13 519.0	13 862.5	(2.8%)
	[= 1 + 2]	3	19 293.2	18 530.2	19 029.9	(1.4%)
Bonds placed with Customers[1]		4	2 329.6	1 941.7	1 147.2	(50.8%)
Subtotal	[= 3 + 4]	5	**21 622.8**	**20 471.9**	**20 177.1**	**(6.7%)**
Insurance capitalisation and PPR (BPI Vida e Pensões)		6	2 873.9	2 723.7	2 843.2	(1.1%)
On-balance sheet resources	[= 5 + 6]	7	**24 496.7**	**23 195.5**	**23 020.3**	**(6.0%)**
Off-balance sheet resources[2]		8	**2 734.3**	**2 913.3**	**3 060.7**	**11.9%**
Corrections for double counting[3]		9	- 395.8	- 498.2	- 670.6	
Total Customer resources[4]	[= 7+ 8 + 9]	10	**26 835.3**	**25 610.7**	**25 410.4**	**(5.3%)**
Note:						
Corporate bonds issues placed by BPI		11	500.0	1 127.6	1 194.4	

1) Structured products (bonds whose remuneration is indexed to the equity, commodities and other markets, with total or partial guarantee of the capital invested at the end of the term), fixed-rate bonds and subordinated bonds.
2) Excludes pension funds.
3) Placements of unit trust funds managed by BPI in the Group's deposits and structured products.
4) Corrected for double counting.

Securities and financial investments portfolio

The securities and financial investments portfolio, which includes besides available-for-sale financial assets, those held for trading[1] and the portfolios of held-to-maturity securities and investments, totalled 9 329 M.€.

1) The balance sheet capital "Financial assets held for trading and at fair value through profit and loss" includes the following securities:
- equities (183.5 M.€) associated with trading activity by means of the management of an arbitrage portfolio carried out by Banco Português de Investimento and the participation and management of the following funds: BPI Alternative Fund: Iberian Equities Long Short and BPI Alternative Fund: Iberian Equities Long Short (Lux). At the end of June 2013, the BPI Alternative Fund had an allocated capital of 58 M.€, 87% held by BPI while BPI Alternative Fund (Lux) had an allocated capital of 17 M.€, 88% of which held by BPI, as a result of which they are fully consolidated;
- BPI Vida e Pensões's securities portfolio (530.2 M.€) associated with capitalisation insurance portfolios commercialised by that subsidiary;
- Derivative instruments at fair value (261.8 M.€). These essentially correspond to interest rate swaps and options incorporated within structured issues, classified as "built-in derivatives" and which for accounting purposes are separated from the respective base contract.

The portfolio of available-for-sale financial assets amounted to 7 915.7 M.€ at the end of June 2013 at market prices.

The most salient aspects relating to the behaviour of the portfolio of available-for-sale financial assets in the 1st half of 2013 were the following:

- The sale of the entire Portuguese Treasury Bonds portfolio acquired in 2012 (582 M.€, market value in December), generating gains of 129.3 M.€, before tax;
- Sales of corporate bonds;
- Reinforcement of the portfolio of Portuguese treasury bills from 3.3 th.M.€ (balance sheet value) in December to 3.6 th.M.€ in June 2013.

Financial assets available-for-sale portfolio

Amounts in M.€

		30 Jun. 12		31 Dec. 12		30 Jun. 13	
		Acquisition cost	Book value	Acquisition cost	Book value	Acquisition cost	Book value
Sovereign debt							
Portugal	1	5 173.9	4 751.7	5 470.4	5 493.7	5 351.9	5 195.6
Treasury bonds - bought before 2012	2	1 806.4	1 217.6	1 806.4	1 589.5	1 806.4	1 603.2
Treasury bonds - bought in 2012	3	1 013.8	1 150.9	423.0	581.9	0.1	0.2
Treasury bonds - other	4	0.0	0.0	0.0	0.0	23.1	23.1
Treasury bills	5	2 353.7	2 383.2	3 241.0	3 322.3	3 522.3	3 569.2
Italy	6	1 003.5	930.0	1 003.5	1 020.1	1 003.5	1 017.2
Ireland	7	358.5	333.0	357.3	371.9	337.2	363.4
Greece	8	36.9	22.6	0.0	0.0	0.0	0.0
[=1+ ∑ 6 to 8]	9	6 572.9	6 037.3	6 831.3	6 885.7	6 692.6	6 576.2
Corporate bonds	10	1 199.5	1 133.9	1 100.0	1 135.3	911.0	946.7
Equities	11	124.0	94.4	126.9	93.2	131.6	103.3
Other	12	178.6	183.8	289.0	279.1	304.7	289.6
Total [=∑ 9 to 12]	13	**8 075.0**	**7 449.4**	**8 347.2**	**8 393.2**	**8 040.0**	**7 915.7**

INCOME

Net operating revenue from domestic operations declined by 11.7% (-56.7 M.€) relative to the 1st half of 2012, stemming essentially from the 26.1% decrease in net interest income (-51.6 M.€), while commissions fell by 2.3% and profits from financial operations rose by 1.0%.

Net interest income

Net interest income was down 26.1% (-51.6 M.€) when compared with the 1st half of 2012, explained chiefly by the cost of the interest on the contingent convertible subordinated bonds (CoCo) which amounted to 44.8 M.€ in the 1st half of 2013.

Net interest income — Amounts in M.€

		1st H.12	1st H.13	Chg.%
Net interest income (narrow sense)	1	180.7	129.2	(28.5%)
Unit linked gross margin	2	1.4	1.4	(0.8%)
Income from securities (variable yield)	3	3.0	3.2	4.7%
Commissions related to deferred cost (net)	4	12.8	12.6	(2.2%)
Net interest income [= ∑ 1 to 4]	5	**198.0**	**146.4**	**(26.1%)**
Cost of CoCo's	6		44.8	
Net interest income excl. cost of CoCo's [=5+6]	7	**198.0**	**191.2**	**(3.5%)**

Contributing to the above trend in net interest income were:

With negative impact:

- The interest cost of the CoCo bonds which totalled 44.8 M.€ in the 1st half of 2013. Excluding the CoCo-related cost, net interest income dropped by 3.5%;
- The contraction in the average margin on sight deposits, from 0.8 p.p. in the 1st half of 2012 to 0.1 p.p. in the 1st half of 2013, a direct consequence of the fall in market interest rates. Indeed, the environment of low market interest rates which has prevailed since 2008, has kept net interest income under pressure through the narrowing of the unitary margin on sight deposits.
- The increase in the average remuneration on term deposits from 1.82 p.p. above Euribor in the 1st half of 2012 to 1.9% above Euribor in the 1st half of 2013 (+0.08 p.p.). It is worth noting that from the end of the 1st quarter of 2012 the margin on term deposits evidences some relative stability.
- The negative volume of the contraction in the customer loans portfolio and the decrease in the Portuguese public debt bonds portfolio, given that BPI sold in the 2nd half of 2012 and in January 2013 its entire holding of Portuguese treasury bonds acquired in 2012. This effect was only partially offset by the reinforcement of the Treasury Bills portfolio.

With positive impact:

- The continuation of the adjustment of loan spreads, which is reflected in an improvement in the portfolio's[1] average contractual spread of 0.16 p.p. to 2.09%. This adjustment stems from the application of the spreads in force on the renewal of loan operations in the corporate segment, and in new operations contracted to all segments. The average spread in the companies, project finance and public sectors climbed by 0.31 p.p. to 2.85%, while in the mortgage-loan segment it rose by 0.08 p.p. to 0.93%.

Commissions

Commissions and other net income were down 2.3% (-3.0 M.€) when compared with the 1st half of 2012.

The drop in commercial banking commissions (-4.2 M.€) and investment banking fees (-0.3 M.€) was partially offset by the positive behaviour of commissions from asset management (+1.5 M.€), as a result of the large volume of assets under management.

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

		1st H.12	1st H.13	Chg.%
Commercial banking	1	105.5	101.3	(4.0%)
Asset management	2	19.6	21.1	7.8%
Investment Banking	3	7.9	7.6	(4.4%)
Total [= ∑ 1 to 3]	4	**133.0**	**130.0**	**(2.3%)**

1)Spread vis-à-vis benchmarks on the respective repricing dates.

Profits from financial operations

Profits from financial operations were 147.3 M.€ in the 1st half of 2013. This figure essentially corresponded to gains of 129.3 M.€ realised on the sale of Portuguese Treasury Bonds acquired in 2012.

In the 1st half of 2012, the profits from financial operations of 145.8 M.€, included (i) gains of 19.8 M.€ realised on the sale of Portuguese Treasury Bonds and (ii) net gains of 115.4 M.€ relating to liability repo operations and gains on bonds.

Profits from financial operations Amounts in M.€

		1st H.12	1st H.13	Δ M.€
Operations at fair value	1	127.5	16.2	- 111.3
Available for sale assets	2	17.9	129.1	+ 111.2
Financial income from pensions	3	0.4	2.1	+ 1.6
Total [= ∑ 1 to 3]	4	**145.8**	**147.3**	**+ 1.5**

Other operating gains and losses

The caption "other operating gains / (losses)", with a negative figure of 9.0 M.€ in the 1st half of 2013, essentially refers to the cost items: contributions to the resolution fund (-2.3 M.€); contributions to the Deposit Guarantee Fund (-1.6 M.€); subscriptions and donations (-1.4 M.€) and taxes (-2.2 M.€).

OPERATING COSTS

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation –, increased 0.5% relative to the 1st half of 2012.

Excluding non-recurring personnel costs, operating costs posted a year-on-year decrease of 2.6% (-6.8 M.€).

This behaviour reflects the implementation of the operational structure's rationalisation measures in Portugal, involving the reduction in the workforce and the distribution network. Between June 2012 and June 2013, the headcount was reduced by 251 employees in domestic activity, at the same time as 36 retail branches were closed, of which 29 at the end of June 2013.

The indicator "operating costs as a percentage of net operating revenue" was situated at 53.2% in the last 12 months. Excluding non-recurring impacts on both costs and income, this indicator was situated at 76.3%.

Operating costs

Amounts in M.€

		1st H.12	1st H.13	Δ%
Personnel costs, excluding non-recurring items	1	155.7	150.6	(3.3%)
Outside supplies and services	2	91.9	91.5	(0.5%)
Operating costs before depreciation and amortisation [=1 + 2]	3	**247.7**	**242.1**	**(2.3%)**
Depreciation of fixed assets	4	10.6	9.4	(11.7%)
Operating costs, excluding non-recurring personnel costs [=3 + 4]	5	**258.3**	**251.5**	**(2.6%)**
Non-recurring personnel costs / (gains)	6	-7.3	0.8	
Operating costs [=5+6]	7	**251.0**	**252.2**	**0.5%**
Efficiency ratio (last 12 months) [1]	8	**67.7%**	**53.2%**	
Efficiency ratio excl. non-recurring items (last 12 months) [2]	9	76.3%	76.3%	

1) Operating costs (personnel costs, OSS and depreciation and amortisation) as a percentage of net operating revenue.
2) Excluding non-recurring impacts on both costs and income.

Personnel costs

Personnel costs, excluding non-recurring costs, decreased 3.3% (-5.2 M.€) when compared with the 1st half of 2012, which resulted primarily:

- From the 3.8% reduction in the average staff headcount deployed in domestic operations, reflecting in part the execution of an early retirements programme;
- The zero growth in the fixed remuneration component as part of the salary scale review in Portugal defined by the banking sector's Vertical Collective Employment Agreement (Acordo Colectivo de Trabalho Vertical - ACTV).

Personnel costs, as reported, rose by a year-on-year 2.0%.

Personnel costs

Amounts in M.€

		1st H.12	1st H.13	Δ%
Remunerations				
Fixed remunerations	1	108.0	105.2	(2.6%)
Variable remunerations	2	8.8	8.5	(3.2%)
Other [1]	3	4.7	4.5	(3.5%)
Remunerations [= ∑ 1 to 3]	4	**121.5**	**118.2**	**(2.7%)**
Pension costs and social charges [2]	5	34.3	32.4	(5.5%)
Subtotal [= 4 + 5]	6	**155.7**	**150.6**	**(3.3%)**
Non-recurring items				
Costs with early retirements	7	25.0	4.1	(83.7%)
Changes to the pensions plan - death subsidy [3]	8	(32.3)	(3.3)	(89.7%)
Non-recurring items [= 7 + 8]	9	**(7.3)**	**0.8**	**110.5%**
Total [= 6 + 9]	10	**148.4**	**151.3**	**2.0%**

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 Employer's contributions and the amortisation of changes to pension plan conditions.
3) Gains resulting from changes to the calculation of the death subsidy following the publication of Decree-Law 133/2012 of 27 June 2012 and Decree-Law 13/2013 of 25 January 2013.

Employee pension liabilities

At 30 June 2013, the present value of the liabilities to be borne by the Bank amounted to 948.2 M.€.

The staff pension funds' net assets totalled 1 045.5 M.€, which guaranteed the funding of 110% of pension liabilities.

Pension funds' income

In the 1st half of 2013, the Bank's pension funds posted a non-annualised return of 6.8%, which is higher than the return on assets computed using the discount rate, which gave rise to a positive actuarial variance of 44.7 M.€. It is worth noting that up till the end of June 2013, the actual return earned by Banco BPI's pension fund since its creation in 1991 was 9.2% per annum on average and that in the past ten, five and three years, the actual annual return was 6.8%, 4.9% and 7.4%, respectively.

Employees' pension liabilities and pension funds

Amounts in M.€

		30 Jun.12	31 Dec.12	30 Jun.13
Pension liabilities	1	813.5	937.1	948.2
Pension funds	2	897.4	987.4	1 045.5
Financing surplus	3	83.9	50.3	97.3
Financing of pension liabilities	4	**110%**	**105%**	**110%**
Total prudential corridor	5	126.2	97.1	102.9
Total actuarial deviations[1]	6	(81.2)	(89.4)	(44.4)
Deviations impacting regulatory capital (outside the corridor)	7	0.0	0.0	0.0
Pension funds return[2]	8	7.9%	20.0%	6.8%

1) At the end of 2011, BPI adopted the method of recognising actuarial gains and losses directly in Shareholders' equity (OCI - Other Comprehensive Income), in accordance with the revision of IAS19 which became mandatory as from 1 Jan. 2013. Hence, the negative actuarial variances at the end of June 2012 (81.2 M.€), Dec. 2012 (89.4 M.€) and June 2013 (44.4 M.€) have been deducted from accounting shareholders' equity.
2) Non-annualised return.

Actuarial assumptions

At the close of 2012, Banco BPI adopted discount rates of 4.83% for the pension liabilities relating to current employees and 4.00% for retirees' pension liabilities, which equates to the utilisation of a 4.5% average discount rate for all the related liabilities.

Actuarial and financial assumptions

	Dec.12	Jun.13
Discount rate at Banco BPI		
Beginning of the period	5.5% [1)]	4.5% [2)]
End of the period	4.5% [2)]	4.5% [2)]
Discount rate of the other companies		
Beginning of the period	5.5%	4.5%
End of the period	4.5%	4.5%
Pensionable salary increase rate	1.5%	1.5%
Pension increase rate	1.0%	1.0%
Mortality table	TV 73/77-H – 1 year [3)] TV 88/ 90-M – 1 year [3)]	

1) Applied a discount rate for current employees' liabilities of 5.83% and 5.00% for retirees, which is similar to that which one would obtain had a single discount rate of 5.5% been applied to the entire population.
2) Applied a discount rate for current employees' liabilities of 4.83% and 4.00% for retirees, which is similar to that which one would obtain had a single discount rate of 4.5% been applied to the entire population.
3) Took into account for the population covered an age 1 year less the beneficiaries' actual age, which equates to considering a longer life expectancy.

Actuarial variances

At 30 June 2013, the total value of accumulated negative actuarial variances was 44.4 M.€ and was wholly accommodated within the prudential corridor and, therefore, not giving rise to any impact on shareholders' equity.

The decrease in actuarial variances relative to December 2012 is explained by the fund's positive actual return variance vis-à-vis the discount rate.

IMPAIRMENTS AND PROVISIONS

Impairment charges in the period, net of recoveries of loans previously written off, amounted in the 1st half of 2013 to 144.9 M.€ and corresponded to:

- Loan impairments (net of recoveries) of 135.9 M.€;
- Impairments for other purposes of 9.0 M.€.

Impairments for Customer loans

Loan impairment charges amounted to 145.0 M.€ in the 1st half of 2013.

The 5.5 M.€ increase relative to the same period of 2012 resulted from a deterioration in the companies' and others segment (+15 M.€) which was partially compensated by decrease in the individuals' and small businesses' segments.

For their part, previously written-off loan recoveries increased from 6.4 M.€ in the 1st half of 2012 to 9.1 M.€ in the 1st half of 2013 (+2.7 M.€).

Net credit loss, which corresponds to the impairment charges net of loan recoveries, amounted to 135.9 M.€ in the 1st half of 2013. Net credit loss represented 1.05% of the loan portfolio's average balance in annualised terms. This indicator's average figure in the previous ten years was 0.33%.

Loan impairments

Amounts in M.€

		1st Half 2012				1st Half 2013			
		Impairments	As % of loan portfolio [1,2]	Impairments net of recoveries	As % of loan portfolio [1,2]	Impairments	As % of loan portfolio [1,2]	Impairments net of recoveries	As % of loan portfolio [1,2]
Corporate banking, institutional banking and project finance	1	80.0	1.07%	78.6	1.04%	87.7	1.75%	84.7	1.69%
Individuals and small businesses									
Mortgage loans	2	28.3	0.44%	27.9	0.44%	24.3	0.42%	23.8	0.41%
Loans to individuals – other purposes	3	9.4	1.58%	7.0	1.19%	6.5	1.27%	3.4	0.66%
Loans to small businesses	4	15.4	1.65%	13.1	1.40%	12.6	1.65%	10.1	1.32%
[= ∑ 2 to 4]	5	53.1	0.68%	48.0	0.62%	43.4	0.61%	37.3	0.52%
Other	6	6.4	1.54%	6.4	1.54%	13.9	1.73%	13.9	1.73%
Total [= 1 + 5 + 6]	7	**139.4**	**0.87%**	**133.0**	**0.82%**	**145.0**	**1.12%**	**135.9**	**1.05%**

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

EQUITY-ACCOUNTEDRESULTS OF SUBSIDIARIES

The contribution from equity-accounted subsidiaries to net profit from domestic operations rose from 4.8 M.€ in the 1st half of 2012 to 5.9 M.€ in the 1st half of 2013, explained by the positive trend in Allianz Portugal's contribution (+2.9 M.€).

Equity-accounted results of subsidiaries

Amounts in M.€

		1st H.12	1st H.13	Δ%
Allianz Portugal	1	1.9	4.8	152.7%
Cosec	2	1.5	1.4	(7.5%)
[= 1 + 2]	3	3.4	6.2	82.3%
Finangeste	4	0.3	(0.9)	(351.1%)
Unicre	5	0.8	0.6	(24.2%)
Other	6	0.3	0.0	-
Total [=∑ 3 to 6]	7	**4.8**	**5.9**	24.6%

MINORITY INTERESTS

Minority interests in the net profit from domestic operations amounted to 0.6 M.€ in the 1st half of 2013. This figure essentially refers to the non-cumulative dividend on the preference shares issued by BPI Capital Finance[1] (balance sheet value of 51 M.€ at 30 June 2013).

1) Remuneration which corresponds to 3-month Euribor plus a margin of 1.55 percentage points with step up to 2.55 percentage points on 12 August 2013.

RESULTS FROM INTERNATIONAL OPERATIONS

NET PROFIT

International operations' contribution to consolidated net profit was 38.5 M.€ in the first six months of 2013 (39.8 M.€ in the first six months of 2012).

The main contributions to the profit from international operations corresponded :

- To the contribution from Banco de Fomento Angola (BFA) of 35.9 M.€ (lower 2.6% year-on-year), relating to the appropriation of 50.1% of its individual profit.
- To the contribution from Banco Comercial e de Investimentos (BCI), relating to the 30% appropriation of its individual net profit (recognised using the equity method), amounted to 3.9 M.€ (a year-on-year 7.0% increase).

The return on BFA's average shareholders' equity (in the individual accounts) was 26.3% in the 1st half of 2013, while the return on BCI's average shareholders' equity was situated at 19.5%.

The return on average capital employed in international operations after consolidation adjustments was 22.6% in the first half of 2013.

International activity income statement

Amounts in M.€

			1st half 2012	1st half 2013	Δ%
Net interest income (narrow sense)		1	94.1	90.0	(4.4%)
Commissions and other similar income (net)		2	23.8	27.1	13.7%
Profits from financial operations		3	32.3	41.0	27.0%
Operating income and charges		4	0.1	(0.6)	(836.0%)
Net operating revenue	[= ∑ 1 to 4]	5	**150.3**	**157.7**	**5.0%**
Personnel costs		6	31.1	33.2	6.9%
Outside supplies and services		7	27.5	28.0	1.7%
Depreciation of fixed assets		8	6.3	6.5	3.4%
Operating costs	[= ∑ 6 to 8]	9	**64.9**	**67.7**	**4.4%**
Operating profit	[= 5 - 9]	10	**85.3**	**90.0**	**5.5%**
Recovery of loans written-off		11	1.3	1.3	1.1%
Loan provisions and impairments		12	7.0	5.6	(19.7%)
Other impairments and provisions		13	1.5	1.5	(0.6%)
Profits before taxes	[= 10 + 11 - 12 - 13]	14	**78.1**	**84.1**	**7.8%**
Corporate income tax		15	2.9	11.6	299.4%
Equity-accounted results of subsidiaries		16	4.0	4.3	7.0%
Minority interests		17	39.3	38.3	(2.6%)
Net profit	[= 14 - 15 + 16 - 17]	18	**39.8**	**38.5**	**(3.3%)**
Cash flow after taxation	[= 18 + 8 + 12 + 13]	19	**54.7**	**52.2**	**(4.6%)**

Note: The costs and income captions, as well as the captions assets and liabilities, presented as being derived from international operations, refer almost exclusively to Banco de Fomento Angola, given that BCI's (Mozambique) contribution is recognised in the BPI Group's financial statements using the equity method, while the accounts of BFE Dealer Mozambique and BPI Capital África, both consolidated in full, have a minor weight. See notes to the financial statements 2.1 and 3.

INCOME

Net operating revenue generated by international activity (BFA's business) grew by 5.0% (+7.5 M.€) in the 1st half of 2013.

Net operating revenue Amounts in M.€

		1st H.12	1st H.13	Chg.%
Net interest income	1	94.1	90.2	(4.1%)
Commissions and other similar income (net)	2	23.8	27.1	13.7%
Profits from financial operations	3	32.3	41.0	27.0%
Operating income and charges	4	0.1	-0.6	(836.0%)
Total	**5**	**150.3**	**157.7**	**5.0%**

Net interest income

The 4.1% decline in net interest income was primarily due to the negative volume effect resulting from the smaller securities portfolio (-14% in average balance terms) and to the decrease in its average remuneration (from 6.3% in the 1st half of 2012 to 5.8% in the 1st half of 2013), reflecting the maintenance of interest rates on the placing of issues (of securities) realised by the Central Bank and the Angolan State at low levels since the 2nd half of 2011.

These effects were partially cushioned by:

- Positive effect of the decline in the average remuneration rate on Customer resources from 1.8% in the 1st half of 2012 to 1.5% in the 1st half of 2013.
- Positive volume effect stemming from the amounts placed with CI's (+0.8 th.M.€, in terms of average balance).

Commissions

Commissions and other similar income in the 1st half of 2013 totalled 27.1 M.€, which corresponds to a 13.7% increase (+3.3 M.€) relative to the corresponding period of 2012.

Profits from financial operations

In the 1st half of 2013, profits from financial operations rose by 27.0% to 41.0 M.€ (+8.7M.€). These correspond mainly to foreign currency gains derived from commercial activity with customers.

OPERATING COSTS

Operating costs increased by 4.4% in the 1st half of 2013. The ongoing expansion of the distribution network in Angola, which grew by around 7% during the 1st half of 2013, and the larger workforce associated with it, with growth of approximately 7% in the average number of employees, constitute the chief factors behind the higher costs.

The indicator "operating costs as a percentage of net operating income" (last 12 months) was situated at 41.3% in the 1st half of 2013.

Operating costs Amounts in M.€

		1st H.12	1st H.13	Δ%
Personnel costs	1	31.1	33.2	6.9%
Outside supplies and services	2	27.5	28.0	1.7%
Operating costs, before depreciation and amortisation [= 1 + 2]	3	**58.6**	**61.2**	**4.5%**
Depreciation and amortisation	4	6.3	6.5	3.4%
Operating costs [= 3 + 4]	5	**64.9**	**67.7**	**4.4%**
Efficiency ratio (last 12 months) [1]	6	40.8%	41.3%	

1) Operating costs as a percentage of net operating revenue.

LOAN IMPAIRMENTS AND PROVISIONS

Loan impairment charges in the period amounted to 5.6 M.€, down 1.4 M.€ relative to the 1st half of 2012. Recoveries of loans previously written off were situated at 1.3 M.€.

Accordingly, loan impairment charges net of recoveries, amounted to 4.4 M.€, which corresponded to 0.80% of the average loan portfolio in annualised terms.

At the end of June 2013, BFA's ratio of loans in arrears for more than 90 days stood at 4.7% (4.8% in June 2012). Loans in arrears for more than 90 days were covered to the extent of 150% by accumulated loan provisions in the balance sheet in June 2013 (147% in June 2012).

Loan impairments

		1st H. 12		1st H. 13	
		M.€	As % of loan portfolio[1, 2]	M.€	As % of loan portfolio[1, 2]
Loan impairments	1	7.0	1.29%	5.6	1.03%
(-) Recoveries of loans in arrears written off	2	1.3	0.23%	1.3	0.23%
Loan impairments net of recoveries [=1 - 2]	3	**5.8**	**1.06%**	**4.4**	**0.80%**

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

Equity-accounted results of subsidiaries

The equity-accounted results – which correspond to the appropriation of the net profit attributable to the 30% shareholding in BCI in Mozambique – grew by 7.0% in the 1st half of 2013 to 4.3 M.€[1].

The behaviour of BCI's profit reflects the robust growth in the banking business underpinned by the expansion of the distribution network and the reinforcement of the workforce.

Total assets grew by 15%, deposits and loans posted growth rates of 17% and 5%, respectively, while the number of customers climbed 31% to 539 thousand.

MINORITY INTERESTS

Minority interests in the profits earned from international operations correspond to the 49.9% shareholding in BFA belonging to Unitel.

BPI recognised minority interests of 38.3 M.€ in BFA's net profit in the 1st half of 2013.

1) BCI's contribution to BPI's consolidated net profit, besides the equity-accounted results also includes the deferred tax relating to BCI's distributable results. In the first six months of 2013, BCI's contribution was 3.9 M.€, up 7.0% on the previous year.

BALANCE SHEET

In international activity, the Bank keeps a very liquid balance sheet, with Customer resources (5 354 M.€) funding 86% of assets. At the end of June 2013, customer resources together with own resources provided the funding of practically the totality of assets.

The customer loans portfolio represented 18% of assets, while the loan-to-deposits ratio was situated at 21% at the end of June.

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 3.8 th.M.€ at the end of June de 2013.

Surplus liquidity in kwanzas is invested in short-term securities issued by BNA and by the Angolan Treasury and Treasury Bonds in kwanzas. Surplus liquidity in dollars is invested in the interbank market and in Angolan Treasury Bonds denominated in dollars or indexed to the dollar.

International activity balance sheet[1]

Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12/ Jun.13
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	2 427.9	2 753.9	3 169.8	30.6%
Loans and advances to Customers	2	1 215.6	1 082.3	1 135.0	(6.6%)
Financial assets held for dealing	3	67.7	153.8	108.2	59.8%
Financial assets available for sale	4	1 797.3	1 859.7	1 582.4	(12.0%)
Investments held to maturity	5				
Investments in associated companies and jointly controlled entities	6	37.0	38.9	41.3	11.6%
Other	7	155.0	159.3	177.9	14.7%
Total assets [= ∑ 1 to 7]	8	**5 700.5**	**6 047.9**	**6 214.6**	**9.0%**
Liabilities and shareholders' equity					
Resources of central banks	9				
Credit institutions' resources	10	1.6	1.0	40.7	2475.1%
Customer resources and other loans	11	4 973.3	5 314.1	5 425.1	9.1%
Debts evidenced by certificates	12				
Technical provisions	13				
Financial liabilities associated to transferred assets	14				
Contingent convertible subordinated bonds	15				
Other subordinated loans and participating bonds	16				
Other	17	166.8	114.8	156.4	(6.2%)
Shareholders' equity attributable to BPI shareholders	18	296.2	324.2	313.5	5.8%
Minority interests	19	262.7	293.6	279.0	6.2%
Total Shareholders' equity and minority interests [=18+19]	20	**558.9**	**617.9**	**592.4**	**6.0%**
Total liabilities and Shareholders' equity [= ∑ 9 to 19]	21	**5 700.5**	**6 047.9**	**6 214.6**	**9.0%**
Note: bank guarantees	22	289.6	317.7	199.4	(31.2%)

1) The above balance sheet relating to international operations has not been corrected for the balances resulting from operations with the "domestic activity" geographical segment. For consolidated purposes, these balances are eliminated.

Customer loans

BFA's customer loans portfolio shrank 6.6% (-80.6 M.€) in the 1st half of 2013[1], with BFA continuing to adhere to a selective approach to the granting of loans and stringent criteria in risk evaluation.

At the close of June 2013, 66.4% of BFA's loan portfolio was expressed in kwanzas (51.7% in June 2012).

Customer loans portfolio Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12 / Jun.13
Loans to companies	1	**825.9**	**682.5**	**744.8**	**(9.8%)**
Loans to individuals					
Housing loans	2	134.1	128.7	130.4	(2.7%)
Consumer loans	3	203.8	215.5	206.2	1.2%
Other	4	63.8	65.1	65.8	3.2%
[= ∑ 2 to 4]	**5**	**401.6**	**409.4**	**402.4**	**0.2%**
Loans in arrears	6	63.8	55.2	59.1	(7.3%)
Loan impairments	7	- 84.8	- 72.9	- 78.3	(7.7%)
Interests and other	8	9.1	8.0	7.0	(23.4%)
Total [=1 + ∑ 5 to 8]	**9**	**1 215.6**	**1 082.3**	**1 135.0**	**(6.6%)**
Guarantees	10	289.6	317.7	199.4	(31.2%)

Customer resources

BFA's customer resources registered a 9.0% expansion when compared with June 2012[2]. Sight deposits represent more than half of the resources taken from Customers.

1) Measured in dollars, customer loans contracted by a year-on-year 3.0%.
2) Measured in dollars, total customer resources rose by a year-on-year 13.2%.

Total Customer resources Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12 / Jun.13
Sight deposits	1	2 498.0	2 808.6	2 889.4	15.7%
Term and savings deposits	2	2 413.9	2 459.1	2 464.7	2.1%
Total [= 1 + 2]	3	**4 911.9**	**5 267.7**	**5 354.2**	**9.0%**

In June 2013, roughly 57% of customer deposits were denominated in dollars, 40% in kwanzas and 3% in other currencies.

Securities and financial investments portfolio

The financial assets portfolio is composed of short-term securities, with maturities of up to one year, denominated in kwanzas and issued by Banco Nacional de Angola (Central Bank Bonds – CBC) and by the State (Treasury Bills) and Angolan Treasury Bonds, with maturities of 1 to 6 years. This portfolio is used for the investment of BFA's surplus liquidity and for balance sheet management.

The securities portfolio at the end of June 2013 totalled 1731.9 M.€ (-8.9% relative to June 2012).

Securities and financial investments portfolio Amounts in M.€

		Jun.12	Dec.12	Jun.13	Δ% Jun.12 / Jun.13
Short-term securities					
Central Bank bonds (TBC)	1	527.5	273.2	0.0	(100.0%)
Angolan Treasury Bills (BT)	2	119.4	245.5	211.3	77.0%
[= 1 + 2]	3	**646.9**	**518.7**	**211.3**	**(67.3%)**
Angolan Treasury Bonds (OT)	4	1 217.3	1 492.0	1 476.4	21.3%
Other	5	0.8	2.8	2.9	264.1%
[= ∑ 3 to 5]	6	**1 865.0**	**2 013.5**	**1 690.6**	**(9.4%)**
Financial investments[1]	7	37.0	38.9	41.3	11.6%
Total [= 6 + 7]	8	**1 902.1**	**2 052.4**	**1 731.9**	**(8.9%)**

1) Amount of 30% equity interest in BCI using the equity method.

Profitability, efficiency, loan quality and solvency consolidated indicators according to Bank of Portugal Notice 23/2011

	30 Jun. 12	31 Dec. 12	30 Jun. 13
Net operating revenue and results of equity accounted subsidiaries / ATA	2.9%	3.0%	2.7%
Profit before taxation and minority interests / ATA	0.7%	1.0%	0.6%
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	28.6%	30.2%	11.3%
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	27.3%	25.3%	31.1%
Operating costs / net operating revenue and results of equity accounted subsidiaries [1]	48.6%	45.0%	53.9%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	2.7%	3.3%	3.6%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	0.2%	0.4%	0.2%
Credit at risk [2]	3.6%	4.2%	4.9%
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.1%	1.4%	1.5%
Own funds requirements ratio	14.5%	15.0%	15.2%
Basis own funds ratio (Tier I)	14.3%	14.9%	15.1%
Core Tier I ratio	14.5%	15.0%	15.3%
Loans (net) to deposits ratio	107%	106%	101%

1) Excluding costs with early-retirements.
2) According to Bank of Portugal Instruction 23/2011, includes loans in arrears for more than 90 days, associated loans falling 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.
ATA = Average total assets.

Risk management

At the BPI Group, risk management is founded on the ongoing identification and analysis of the exposure to the different risks (credit risk, country risk, market risks, liquidity risks, operational and other risks) and on the execution of strategies aimed at maximising the results vis-à-vis risks, within predefined and duly supervised limits. Risk management is complemented by the analysis *à posteriori* of performance indicators.

ORGANISATION

The BPI Group's global risk management is entrusted to the Board of Directors' Executive Committee. At the Executive Committee level, a Director without direct responsibility for the commercial divisions is placed in charge of the risk divisions.

At senior level, there are also two specialised executive committees: the Global Risks Executive Committee (global market, liquidity, credit, country, operational risks) and the Credit Risks Executive Committee, which concentrates its activity on the analysis of large-scale operations.

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group (to where all the important information about the Bank's systems converge).

In the specific domain of corporates, small businesses, institutional clients and project finance credit risks, the Credit Risk Division undertakes an appraisal, independent of the commercial structures, of the risk of the various proponents or sureties and of the characteristics of the operations. The granting of ratings falls within this Division's terms of references, and – in high profile cases – those of the Rating Committee. Quantitative models produced by the Risk Analysis and Control Division are available to support the attribution of ratings. The Corporate Loans Recovery Division undertakes the management of recovery proceedings in the event of default.

In the specific sphere of Individuals' credit risk, it is the task of the Individuals' Credit Risk Division to perform the functions of independently analysing proponents, sureties and operations, backed by the various risk indicators and scoring models produced by the Risk Analysis and Control Division. The management of recovery processes also forms part of the functions of the Individuals' Credit Risk Division.

In specific segments such as loans to financial institutions or derivatives, there are credit risk analysis areas which carry out similar functions to those described for companies or individuals.

Supervision of the execution of the operational risks defined by the Board of Directors' Executive Committee is delegated to specific committees: Operational Risks Committee, Business Continuity Committee and Information Security Committee. The control and management of these risks is centralised at a dedicated and independent area, DOQ- Operational Risks Analysis and Control. At each one of the Group's bodies there are specifically appointed persons – Operational Risks Manager and Pivot – who undertake the identification, the management and mitigation of these risks in its business areas.

The BPI Group's Compliance Division covers all areas, processes and activities of companies that compose the BPI Group and has as its mission contributing to the prevention and mitigation of the "Compliance Risks", which translate into the risk of legal or regulatory sanctions, financial or reputational loss as a consequence of the failure to comply with the law, regulations, code of conduct and good banking practices, fostering the observance by the BPI Group and its Employees of all the applicable rules by way of an independent involvement, in conjunction with all the Bank's organic units.

Matrix of responsibilities for risk management and control

<table>
<tr><th></th><th>Identification and analysis of exposure</th><th>Strategy</th><th>Limits and control</th><th>Recovery</th><th>Performance Evaluation</th></tr>
<tr><td>Credit / counterparty risk</td><td>DACR: rating and scoring models (probabilities of default), and loss given default for all loan segments

DACR and DF: external rating identification for debt securities and for credit to financial institutions

DRC: Rating for Corporates, Small Businesses, Project Finance and Institutional Clients

Rating Committee: Rating for large Corporates and Institutional Clients

DRCP: Expert System for loans to Individuals

DACR: exposure to derivatives

DACR: analysis of overall exposure to credit risk</td><td>CECA, CERG: overall strategy

CECA, CERC: approval of substantial operations

Credit Board, DRC, DBI, DRCP, DF: approval of operations</td><td>CA (with CRF advisory)
CECA, CERC, Credit Board, DRC, DRCP, DACR, DF: limits

CECA, CACI, CERC, CERG, Credit Board, DACR, DO, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td>DRCE: Companies

DRCP: Individuals and Small Businesses</td><td rowspan="4">CECA
CERG, CERC, DCPE, DACR
All other Divisions</td></tr>
<tr><td>Country risk</td><td>DF: analysis of individual country risk with recourse to external ratings and analyses

DACR: analysis of overall exposure</td><td>CECA, CERG: overall strategy

DF, DA, DIAPE: operations</td><td>CA (with CRF advisory)
CECA, CACI, CERG, DACR, DC, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td></td></tr>
<tr><td>Market risk</td><td>DACR: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other.</td><td>CECA, CERG: overall strategy

DF, DA, DIAPE: operations</td><td>CA (with CRF advisory)
CECA, CERG, DACR, DF, DA: limits

CECA, CACI, CERG, DACR, DC, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td></td></tr>
<tr><td>Liquidity risk</td><td>DF, DA, DIAPE: individual risk analysis of liquidity, by instrument

DACR: analysis of overall liquidity risk</td><td>CECA, CERG: overall strategy</td><td>CA (with CRF advisory)
CECA, CACI, CERG, DACR, DC, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td></td></tr>
<tr><td>Operating risks</td><td>DACR: analysis of overall exposure

DORG and all the Divisions: identification of critical points</td><td>CECA: overall organisation

CRO

DORG: regulations</td><td>CECA, CERG, DORG, DACR: regulation and limits

CECA, CACI, DORG, DACR, DC, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td>DJ, DAI, DO, Commercial Divisions</td><td rowspan="2">CECA, DORG[2]</td></tr>
<tr><td>Legal and compliance risks</td><td>DJ, DC
DC: compliance risk analysis</td><td>CECA: compliance</td><td>CECA, CACI, DJ, DC, Internal and external Auditors[1], Supervisory Board, Bank of Portugal: control</td><td></td></tr>
</table>

1) As part of the execution of the audit and statutory audit of the BPI Group's accounts, the external auditors also contribute to the process of controlling the various risks to which the Group is exposed.

2) Except in the cases of compliance and DC division.

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); **CERG** – Comissão Executiva de Riscos Globais (Global 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); **DIAPE** – Direcção de Investimentos Alternativos e Produtos Estruturados (Alternative Investments and Structured Products 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.

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.

The specific approval of **loans to individuals** follows the principles and procedures laid down in the credit regulations and in essence result from the following:

- Rejection filters: the existence of incidents and defaults, liens or debts to the Tax Administration and to the Social Security Department, minimum and maximum age restrictions and others.
- Exposure limits: evaluation of the present capability to service debt through the calculation of the housing-to-income ratio or the estimated value of the savings of the loan applicants, guarantors or sureties. As a general rule, applications where the housing-to-income ratio is considered to be excessive or where savings become slightly positive or even negative due to the costs of the new loan, are turned down.
- Acceptance/ rejection boundary, according to the probability of the counterparty defaulting: there are reactive scorings for each loan segment (housing, personal loans, credit cards and motor car finance) designed to evaluate the probability of default by the counterparty, guarantors or sureties. In complex cases, the identification of the risk class (probability of default) requires the involvement of the Individuals Credit Risk Division. Potential Customers whose classification places them at risk which is deemed to be excessive are turned down, that is, whose probability of defaulting is high.
- Mitigation of risk attaching to operations: in the acceptance or rejection of Customers and operations, regard is had to any personal or tangible guarantees which contribute to reducing risks. In the most expressive segment –home loans –, the relationship between loan and security (or loan-to-value ratio) has a maximum ceiling of 80%.

For each one of the different divisions involved, the relevant hierarchical levels for the approval of credit according to their risk or commercial characteristics have been defined with the object of decentralising decisions and, therefore, ensuring processing speed and efficacy.

Subsequently, the Bank maintains constant vigilance over the evolution of its exposure to the different counterparties, the evolution of its portfolio (diversification by geographical area, sector, segment, counterparty, currency and maturity), and the profitability results and indices achieved vis-à-vis the risks assumed.

Moreover, problematic credit situations, provisioning cover indices, write-offs and recoveries are analysed every month.

An estimate is also made of the provisions for impairment losses, involving both a statistical calculation for performing loans, loans with incidents or in default, and an evaluation of the same impairment by expert systems for all the larger loans. The impairment losses and provisions are the object of a monthly assessment by the Board of Directors' Executive Committee (Executive Committee for Credit Risk), and are reviewed every six months by the external auditors and reviewed regularly by the Audit and Internal Control Committee.

Functioning as agents controlling this entire management process, in addition to the Board of Directors, 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 Bank of Portugal.

Evaluation of exposure to credit risk

Companies, institutional Customers, specialised finance and small businesses

BPI uses an internal rating system for companies (excluding small businesses) with ten classes (E1 to E10) plus two classes in the case of incidents (ED1 and ED2) and one in the case of default (ED3, which corresponds to a 100% "probability of default"). Default probabilities are associated to each classification for the evaluation of loans, guarantees and securities of medium and large-sized companies.

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.

Internal rating of companies
Breakdown of exposure by risk classes
At 30 June 2013

Risk classes		Value (M.€)[2]	% of portfolio amount	One-year default probability[3]
E1	1	66.9	0.9%	0.2%
E2	2	493.5	6.6%	0.3%
E3	3	654.6	8.7%	0.3%
E4	4	1 156.0	15.4%	0.3%
E5	5	976.6	13.0%	0.6%
E6	6	1 001.8	13.3%	1.1%
E7	7	606.3	8.1%	2.5%
E8	8	799.8	10.7%	6.1%
E9	9	430.1	5.7%	11.8%
E10	10	309.4	4.1%	21.8%
Without rating	11	187.4	2.5%	3.6%
ED1	12	115.3	1.5%	55.8%
ED2	13	21.2	0.3%	83.3%
ED3 (default)	14	690.8	9.2%	100.0%
Total [=Σ 1 to 14]	15	**7 509.6**	**100%**	**4.6%**

The average default probability of the companies' portfolio from a one-year perspective weighted by the amount of liabilities stood at 4.6% at 30 June 2013. The loss on each operation in default in this segment is on average 34.7%, a figure that is identical to that of the past, indicating greater difficulties in recovering operations in default owing to the economic crisis. The expected loss is on average 1.6% for the entire 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.

2) Includes bonds, bank guarantees and commercial paper of the corporate segment and excludes without-recourse factoring operations and derivatives.
3) 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 at 30 June 2013

Risk classes		Value (M.€)	% of portfolio amount
Strong		308.6	11.5%
Good		1 455.1	54.3%
Satisfactory		510.6	19.1%
Weak		271.8	10.1%
Default		132.0	4.9%
Total [=Σ 1 to 5]		**2 678.0**	**100.0%**

The segment of small businesses is still at an initial stage of a rating evaluation process. Notwithstanding this fact, it is possible to estimate an average default probability over a one-year period in the case of this portfolio, and a loss in the event of default of 4.28% and 62.85%, 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.

Indices relating to exposure concentration are also analysed. In global terms, the portfolio reveals an average/high degree of concentration by counterparty or group (including conservative compliance with the regulations governing "large exposures") and a low degree of concentration by sectors. According to the Bank of Portugal's calculation methodology, the individual concentration index stands at 48% and the sector concentration index at 9.7%. The concentration at geographic level is inherent to the location of the Group's 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 (1.9%). This favourable trend is due not only to tighter decision criteria, but also to the natural decline in default probabilities on older loans (the portfolio's average age is higher than 6 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 2013

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	1.90%	16.6%	0.32%
Personal loans	3.46%	33.6%	1.16%
Motor car finance	1.84%	22.5%	0.41%
Credit cards	1.21%	48.5%	0.59%

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 promissory notes and, at times, financial collateral, also facilitates the recovery of amounts (relatively low) advanced in the form of personal loans.

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.

Loan-to-value ratio in housing loans
At 30 June 2013

	Jun 2013
New loans contracted[1]	57.4%
Housing loan portfolio	56.5%
Loans in default (more than 90 days)	82.6%

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. Notwithstanding recent downgrades and the fact that bond valuations at market prices implicitly contain, in this environment, high risk premiums, the investment portfolio is predominantly composed of the securities of low credit-risk issuers.

Bonds and fixed-interest securities' investment portfolio[2]

Amounts in M.€

Rating	Dec.12	%	Jun.13	%
AAA	1	0.0%	1	0.0%
AA	11	0.1%	9	0.1%
A	203	2.1%	202	2.3%
BBB	2 157	22.2%	1 956	22.5%
BB	5 411	55.7%	5 250	60.3%
B	36	0.4%	63	0.7%
CCC	37	0.4%	17	0.2%
CC	4	0.0%	0	0.0%
C	0	0.0%	0	0.0%
Commercial paper with guarantees from credit institutions	103	1.1%	121	1.4%
Commercial paper without guarantees	1 110	11.4%	897	10.3%
Without rating	635	6.5%	194	2.2%
Total	**9 709**	**100%**	**8 711**	**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 Basle 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 (impact in operating profit) of 26 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 450 M.€ (gross amount) to 225 M.€ (net amount, after set off and collateralisation) at the end of June.

Current credit risk – substitution value of derivatives by type of counterparty[3]

Amounts in M.€

	Dec.12	%	Jun.13	%
Over-the-counter market	**282.44**	**100.0%**	**225.23**	**100.0%**
Financial institutions	5.70	2.0%	6.64	2.9%
Other financial intermediaries	2.18	0.8%	0.40	0.2%
Local and administrative public sector	0.78	0.3%	0.58	0.3%
Companies	271.35	96.1%	216.33	96.0%
Unit trust funds and pension funds				
Individuals	2.43	0.9%	1.28	0.6%
Regulated markets				
Stock exchange				
Total	**282.44**	**100.0%**	**225.23**	**100.0%**

This form of evaluating exposure to counterparty risk is complemented by the traditional regulatory approach (own funds requirements by capital at risk, in the amount of 24 M.€).

1) Loans granted in June 2013.
2) Includes securities in the available-for-sale portfolios, bonds classified as loans and commercial paper.
3) 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.

Default, provisioning and recovery levels

BPI maintains loan quality indicators at relatively good levels and adequate risk provisioning.

The following are the main overdue loans, cost of risk and impairment cover ratios:

- **ratio of loans in arrears (+ 90 days):** at the end of June 2013, the ratio of loans in arrears for more than 90 days stood at 3.4% on a consolidated basis. In domestic operations (96% of the consolidated loan portfolio) this ratio stood at 3.3% and in international operations (in Angola), which represents 4% of the consolidated loan portfolio, it was 4.7%.
- **Credit-at-risk ratio (Bank of Portugal Instruction 23 / 2011[1]):** credit-at-risk according to the Bank of Portugal's definition corresponded to 4.9% of the consolidated gross loan portfolio at the end of June 2013. In domestic operations, this ratio stood at 4.8% and in international activity (in Angola) it was situated at 7.0%.
- **Net credit loss:** impairment charges, after deducting loan recoveries, represented 1.04% of the loan portfolio in the 1st half 2013, in annualised terms.
- **Impairments cover:** accumulated impairment allowances in the balance sheet for loans with defaulting instalments[2] and collaterals (real and personal) guaranteed 78% cover for the total exposure in operations with principal or interest in arrears, considering for this purpose all the operations with principle or interest in arrears for more than 30 days and including the associated loans falling due.
- **Impairment allowances for foreclosed fixed properties**: accumulated impairment allowances for foreclosed fixed properties covered 41% of the respective gross balance sheet value (168.6 M.€). The net balance sheet value of those fixed properties was 98.7 M.€, which compares with a market value for the same properties of 171.2 M.€.

1) Credit-at-risk according to the Bank of Portugal's definition, in addition to loans in arrears for more than 90 days, also includes the associated loans falling due, restructured loans and insolvency situations.

2) In addition, BPI had impairment allowances of 363 M.€ for loans with no arrear instalments and for guarantees. Taking this figure also into account, cover for total overdue loans and associated loans falling due stood at 102.5%.

Loans to Customers in arrears and loan impairments

Amounts in M.€

		30 Jun. 12	31 Dec. 12	30 Jun. 13		
		Consolidated	Consolidated	Domestic activity	International activity	Consolidated
Customer loan portfolio (gross)	1	28 932.2	28 128.6	26 695.4	1 213.3	27 908.7
Loans in arrears, falling due loans and impairments						
Loans in arrears for more than 90 days	2	749.9	891.9	888.3	56.7	945.0
Loans in arrears for more than 90 days and doubtful loans [1, 2]	3	770.7	899.0	898.4	56.7	955.1
Credit at risk [1, 3]	4	1 028.8	1 157.2	1 200.5	85.0	1 285.5
Loans in arrears for more than 30 days	5	796.1	917.4	950.6	59.1	1 009.8
Loan impairments (accumulated in the balance sheet)	6	759.1	824.4	856.1	85.2	941.4
Ratios (as % of total loans)						
Loans in arrears for more than 90 days as % of loan portfolio [=2/1]	7	2.6%	3.2%	3.3%	4.7%	3.4%
Loans in arrears for more than 90 days and doubtful loans as % of loan portfolio [1, 2, 4]	8	2.7%	3.3%	3.6%	4.7%	3.6%
Loans in arrears for more than 90 days and doubtful loans, net of accumulated impairments, as % of net loan portfolio [1, 4]	9	0.2%	0.4%	0.3%	-1.9%	0.2%
Credit at risk as % of loan portfolio [1, 3, 4]	10	3.6%	4.2%	4.8%	7.0%	4.9%
Credit at risk, net of accumulated impairments, as % of net loan portfolio [1, 4]	11	1.1%	1.4%	1.6%	0.6%	1.5%
Loans in arrears for more than 30 days as % of loan portfolio [=5/1]	12	2.8%	3.3%	3.6%	4.9%	3.6%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio [=6/1]	13	2.6%	2.9%	3.2%	7.0%	3.4%
Loan impairments as % of loans in arrears for more than 90 days [= 6/2]	14	101.2%	92.4%	96.4%	150.4%	99.6%
Write-offs	15	33.3	81.3	34.2	0.0	34.2
Recovery of loans and interests in arrears written-off	16	7.7	15.5	9.1	1.3	10.4

1) Calculated in accordance with Bank of Portugal Instruction 23 / 2011.
2) Loans in arrears for more than 90 days and doubtful debts treated as overdue for provisioning purposes.
3) According to Bank of Portugal Instruction 23/2011, 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.
4) For purposes of calculating the loan quality indicators, the Group universe (perimeter) subject to Bank of Portugal supervision is taken into account so that in BPI's case, BPI Vida e Pensões is equity accounted (whereas in the consolidated accounts, according to the IAS/IFRS standards, that entity is fully consolidated).

The entry of new loans into default (for more than 90 days) in the first semester 2013, calculated as the change in loans in arrears balance between the beginning and the end of the semester, plus write-offs made in that period, amounted to 87.3 M.€, which corresponded to 0.65% of the consolidated average loan portfolio, in annualised terms.

On the other hand, an amount of 10.4 M.€ in arrear loans and interest previously written off assets was recovered, with the result that the entries of new loans into default (for more than 90 days), net of loan recoveries, amounted to 76.9 M.€, which corresponded to 0.57% of the average loan portfolio, in annualised terms.

In domestic operations, the entries of new defaulting loans, net of recoveries, represented 0.58% of the average loan portfolio and in international operations the indicator was 0.44% in the first semester 2013, in annualised terms.

During the 1st half of 2013 loan impairment charges, net of overdue loans recovered in the period, amounted to 140.2 M.€.

Impairments net of recoveries represented in annualised terms 1.04% of the average performing loan portfolio in the 1st half of 2013 (1.05% in domestic activity and 0.80% in international activity).

Credit loss and cost of risk

Amounts in M.€

		Domestic activity		International activity		Consolidated	
		1st half 12	1st half 13	1st half 12	1st half 13	1st half 12	1st half 13
Performing loan portfolio (average balance)	1	**26 967.5**	**25 814.4**	**1 083.8**	**1 089.5**	**28 051.3**	**26 904.0**
Change in loans in arrears							
Increase in loans in arrears (for more than 90 days) adjusted by write-offs	2	92.1	83.7	- 2.4	3.6	89.7	87.3
as percentage of loan portfolio (average balance)[1] [= 2/1]	3	0.68%	0.65%	-0.45%	0.67%	0.64%	0.65%
– Recovery of loans and interests in arrears written-off	4	6.4	9.1	1.3	1.3	7.7	10.4
= Increase in loans in arrears (for more than 90 days), adjusted by write-offs and deducted of recoveries of loans written-off [= 2-4]	5	**85.7**	**74.6**	**- 3.7**	**2.4**	**82.0**	**76.9**
as percentage of loan portfolio (average balance)[1] [= 5/1]	6	0.64%	0.58%	-0.68%	0.44%	0.58%	0.57%
Net credit loss							
Loan impairments	7	139.4	145.0	7.0	5.6	146.5	150.6
as percentage of loan portfolio (average balance)[1] [= 7/1]	8	0.87%	1.12%	1.29%	1.03%	0.89%	1.12%
– Recovery of loans and interests in arrears written-off	9	6.4	9.1	1.3	1.3	7.7	10.4
= Net credit loss [= 7 - 9]	10	**133.0**	**135.9**	**5.8**	**4.4**	**138.8**	**140.2**
as percentage of loan portfolio (average balance)[1] [= 10/1]	11	0.82%	1.05%	1.06%	0.80%	0.83%	1.04%

1) In annualised terms.

The credit-at-risk ratio according to Bank of Portugal Instruction 23 / 2011 stood at 4.9% at the end of June 2013, on a consolidated basis (4.8% in domestic operations and 7.0% in international operations).

Impairments coverage of credit-at-risk was 73%, without considering the collaterals coverage (71% in domestic operations and 100% in international operations).

The following table presents the ratio of credit at risk and impairment allowances in the balance sheet, by market segment, as well as the contribution of each segment to the gross loan portfolio.

Loans in arrears and impairments accumulated in the balance sheet, by market segment

		30 Jun. 12			31 Dec. 12			30 Jun. 13		
		Loan portfolio (gross), as % of total	Credit at risk	Impairments accumulated in the balance sheet	Loan portfolio (gross), as % of total	Credit at risk	Impairments accumulated in the balance sheet	Loan portfolio (gross), as % of total	Credit at risk	Impairments accumulated in the balance sheet
Domestic activity										
Corporate banking, institutional banking and project finance	1	40%	3.0%	2.9%	38%	4.2%	3.5%	36%	5.9%	4.6%
Individuals and small businesses banking										
Mortgage loans	2	42%	3.1%	1.2%	43%	3.4%	1.5%	43%	3.3%	1.7%
Loans to individuals – other purposes	3	4%	3.8%	3.6%	4%	4.1%	3.9%	4%	4.3%	4.2%
Loans to small businesses	4	6%	8.5%	7.2%	6%	9.5%	8.0%	6%	10.6%	8.8%
[=Σ 2 to 4]	5	53%	3.8%	2.1%	53%	4.2%	2.4%	52%	4.2%	2.6%
Other	6	3%	1.4%	1.1%	5%	1.4%	0.2%	8%	1.3%	0.8%
[=1+5+6]	7	**96%**	**3.4%**	**2.4%**	**96%**	**4.1%**	**2.8%**	**96%**	**4.8%**	**3.2%**
International activity	8	**4%**	**6.8%**	**7.0%**	**4%**	**6.5%**	**6.8%**	**4%**	**7.0%**	**7.0%**
Total [=7+8]	9	**100%**	**3.6%**	**2.6%**	**100%**	**4.2%**	**2.9%**	**100%**	**4.9%**	**3.4%**

At 30 June 2013, total loans in arrears (instalments of principal and interest in arrears more than 30 days) amounted to 1 009.8 M.€ while the part not yet due in those loan operations amounted to 488.2 M.€.

In average terms, total arrear loans and associated instalments not yet due were 78% covered by the value of real guarantees (594.2 M.€) and individual impairment allowances constituted for these loans (578.8 M.€).

Loans in arrears and falling due loans

At 30 June 2013

Amounts in M.€

		Full exposure to credit operations with capital or interests in arrears			Real guarantees[2] (mortgages and other[3])	Impairments[4]
		In arrears	Falling due loans[1)]	Total		
Loans with collateral	1	385.0	290.6	675.6	594.2	200.8
Loans without collateral	2	624.8	197.6	822.4		378.0
[= 1+2]	3	**1 009.8**	**488.2**	**1 497.9**	**594.2**	**578.8**

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.

At 30 June 2013, BPI held in its portfolio loan-foreclosure properties with a gross balance sheet value of 168.6 M.€. Of this figure, 64.5 M.€ refers to repossessed properties relating to home loans, and 104.2 M.€ refers to repossessed properties relating to the recovery of other loans.

At 30 June, the accumulated amount of impairment allowances for loan-foreclosure properties stood at 69.9 M.€, which corresponded to 41% of their gross balance sheet carrying value. Accordingly, the net balance sheet carrying value of these properties was 98.7 M.€, which compares with a market value of the same properties of 171.2 M.€.

Property repossessed from loans recoverage Amounts in M.€

		30 Jun. 12	31 Dec. 12	30 Jun. 13
Mortgage				
Gross value	1	57.2	61.5	64.5
Impairment	2	24.6	26.7	29.5
Net value[= 1-2]	3	**32.6**	**34.9**	**35.0**
Impairment as % gross value	4	**43%**	**43%**	**46%**
Market value	5	71.1	75.3	78.1
Other				
Gross value	6	93.6	100.8	104.2
Impairment	7	34.0	36.7	40.4
Net value [= 6-7]	8	**59.6**	**64.0**	**63.8**
Impairmente as % gross value	9	**36%**	**36%**	**39%**
Market value	10	93.8	94.6	93.1
Total				
Gross value	11	150.8	162.3	168.6
Impairment	12	58.6	63.4	69.9
Net value [= 11-12]	13	**92.2**	**98.9**	**98.7**
Impairmente as % gross value	14	**39%**	**39%**	**41%**
Market value	15	164.8	169.9	171.2

In calculating the impairment losses on properties repossessed under foreclosures, Banco BPI uses especially prudent criteria, listed as follows.

In properties repossessed under home-loan foreclosures, the amount of the impairment corresponds to the difference, if positive, between the gross amount and the valuation after taking into account certain discount factors.

Property acquisition date (AD) in years	Discount factor applied to the assessment value	Impairment if valuation equals the gross value
AD ≤ 1 year	25%	25%
1 year < AD ≤ 2 years	50%	50%
2 years < AD ≤ 3 years	75%	75%
AD > 3 years, rented or no sale possible	100%	100%

In the case of the other properties, the following minimum values are considered for the impairment losses, if the valuations do not lead to the booking of higher impairments.

Age of property (AD) in years	Minimum impairment
2 years < AD ≤ 5 years	30% GV
AD > 5 years	50% GV
No sale possible	100% GV

GV = Gross Value.

COUNTRY RISK

Management process

Country risk is very similar in terms of its respective effects to counterparty risk and is associated with the changes or specific turmoil of a political, economic or financial nature in those places where the counterparties operate (or, more rarely, in a third country where the business transaction takes place), which impede full compliance with the contract, irrespective of the counterparties' will or capacity. The "country-risk" designation is also used to classify the counterparty risk involved in loans to state entities, given the similarity between the analysis methods for country risk and those for a state's counterparty risk (sovereign risk).

The Board of Directors' Executive Committee approves the list of countries in respect of which country-risk exposure is authorised. 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.

Country risk exposure assessment

Country risk exposure
At 30 June 2013

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from Group I					
Euro Zone		**4 751.1**	**9.4**	**-393.9**	**4 366.6**
	AAA	748.5	0.8	-7.5	741.8
	AA	488.7	-0.4	-30.6	457.7
	BBB	3 496.5	9.1	-355.8	3 149.7
	B	17.1			17.1
	CCC	0.3			0.3
Other EU countries		**302.6**	**1.0**	**-40.6**	**263.0**
	AAA	132.7		-0.1	132.6
	AA	169.2	1.0	-40.6	129.6
	A	0.7			0.7
	BBB	0.0			0.0
	BB	0.0			0.0
Switzerland	AAA	185.3	2.9	-2.7	185.5
USA	AAA	54.5		-2.8	51.7
Other		11.4	0.7	-0.8	11.2
Offshores		46.5	0.0	-3.8	42.7
		5 351.4	**13.9**	**-444.6**	**4 920.8**
Countries from Group II					
Brazil	BBB	43.5		-0.7	42.8
Trade Finance		5.1			5.1
Other		38.5		-0.7	37.7
Angola	BB	388.0	-161.9	-10.0	216.2
Trade Finance		81.9			81.9
Other		306.1	-161.9	-10.0	134.2
Russia	BBB	28.1			28.1
Turkey	BBB	3.3			3.3
Mexico	BBB	43.6		-0.2	43.5
Mozambique	B	26.4		-1.3	25.1
Venezuela	B	16.1		-4.2	11.9
Cape Verde	B	70.0	-65.8		4.1
South Africa	BBB	15.5		-6.6	8.9
Other		3.6	0.6	-0.1	4.1
		638.2	**-227.1**	**-23.1**	**388.0**
Subsidiaries					
Angola (BFA)		280.1			280.1
Mozambique (BCI)		41.3			41.3
		321.4			**321.4**
TOTAL		**6 311.0**	**-213.2**	**-467.7**	**5 630.2**

Individual evaluation of each country's risk is performed with recourse to external ratings, external studies (IIF and others) and internal reports prepared by the Finance Division.

The exposure to country / sovereign risk via trading activity is included in the section dealing with market risks – trading.

MARKET RISKS – TRADING POSITIONS

Management process

Market or price risk (interest rates, foreign exchange rates, equity prices, commodity prices and other) is defined as the possibility of incurring losses due to unexpected variations in the price of financial instruments or operations.

The trading positions are managed autonomously by traders and kept within the exposure limits by market or products, fixed and revised periodically. There are different exposure limits including overall VaR limits set by the Global Risks Executive Committee and later distributed autonomously amongst the various books, by the divisions involved in trading activities. In addition, stop-loss limits are defined.

As a general rule, the Bank abstains from any open positions in options sales.

Market risk exposure assessment – trading

In evaluating exposure under trading operations, this function is carried out on a daily basis which calculates the VaR – Value at Risk – according to standardised assumptions, which as a rule are consistent with the BIS's set of recommendations. Exposure arising from options is controlled by recourse to specific models. The information generated by the risk evaluation and control system is available online to authorised users.

The VaR figures found show that the trading exposure levels are not material.

Market risk in trading books [1]

Amounts in M.€

	Jun-12		Jun-13	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	2.9	8.1	0.4	1.5
Currency risk	0.5	1.0	1.3	1.5
Equities risk	0.6	2.6	1.0	3.0
Commodities risk	0.0	0.0	0.0	0.0

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 Global Risks Executive Committee.

Long-term structural positions are managed in accordance with the rules laid down by 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 (currency gaps, repricing gaps, duration gaps). In addition, several stress tests are conducted (parallel shift of the yield curves, slope of the curves, spread / basis risk).

At 30 June 2013, the repricing gap (of interest rates) accumulated up to 1 year was 5 752 M.€.

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.

Interest rate risk [2]

Structural position, at 30 June 2013

Amounts in M.€

	1 year	2 years	5 years	7 years	15 years	> 15 years
Accumulated gap	5 752	6 061	5 450	5 555	5 647	5 701

The Bank is structurally exposed to the risk of a fall in interest rates. A classical stress test to a 100 b.p. change in interest rates points to a loss in net interest income of 78.5 M.€[3].

MARKET RISKS – STRUCTURAL POSITION OF EXCHANGE RATE RISK

Management process

The management of currency risk on structural positions resulting from business dealings with the Bank's Customers is delegated to the Finance Division, within the operating bands set at senior level. As a general rule, the Bank seeks substantial hedging of these currency positions.

The structural currency positions resulting from investments or participating interests are managed in accordance with the directives laid down by the Executive Committee. "Hedging" or "non hedging" are options to be decided upon depending on the prospects surrounding the direction of foreign exchange rates and the risk level involved.

Evaluation of the exposure to structural foreign exchange rate risk

In the currency arena, the position in kwanza reaches a significant value due to the participating interest in BFA's capital. The positions in the remaining currencies are of minor significance. A stress test to the structural position (depreciation of 30% in Kwanza and 20% in the remaining currencies) reveals a capital at risk of 118 M.€.

2) Customer sight deposits were considered as being not sensitive to the interest rate.
3) This standard test entails the simulation of a 100-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.

Foreign exchange rate risk

Structural position, at 30 June 2013

Amounts in M.€

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other	Total
Assets					
Cash and deposits at central banks	245	531	479	3	1 257
Amounts owed by credit institutions repayable on demand	280	18	6	18	323
Financial assets held for dealing and at fair value through profit and loss	904	72	108	17	1 101
Financial assets available for sale	8 392	1 183	520	0	10 095
Loans and advances to credit institutions	687	470	720	2	1 878
Loans and advances to Customers	25 502	619	754	140	27 014
Investments held to maturity	253	0	0	0	253
Hedging derivatives	200	1	0	5	206
Other assets	40	110	4	2	156
	36 502	**3 004**	**2 591**	**187**	**42 284**
Liabilities					
Resources of central banks	4 057	30	0	46	4 133
Financial liabilities held for dealing	255	5	0	0	261
Credit institutions' resources	1 580	301	0	3	1 884
Clients' resources and other loans	18 657	4 326	2 176	220	25 379
Debts evidenced by certificates	2 791	51	0	42	2 885
Financial liabilities associated to transferred assets	1 478	0	0	0	1 478
Hedging derivatives	602	15	0	0	616
Provisions	105	23	2	1	130
Technical provisions	2 352	0	0	0	2 352
Contingent convertible subordinated bonds	1 042	0	0	0	1 042
Other subordinated debt	144	0	0	0	144
	33 063	**4 750**	**2 178**	**312**	**40 303**
Forward currency operations	-1 963	1 817	58	182	94
Structural position		3	363	40	
Stress test [1]		**1**	**109**	**8**	**118**

1) Stress test on the currency structural position (excluding assets and liabilities held for dealing and at fair value through profit and loss). The stress test considers the impact of a 20% positive change in foreign exchange rates, except with regard to the Kwanza, in which case a 30% change was taken into account.

LIQUIDITY RISK

Management process

Liquidity risk is monitored: i) in the liquidity of the different assets; ii) in the strict management of treasury needs and iii) in adjusting the financing sources to assets' maturity and liquidity profiles, with liquidity risk defined based on the ability to keep pace with the growth of assets and to meet treasury needs without incurring abnormal losses.

In terms of the different assets, 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.

At overall level, the liquidity-risk management strategy falls under the Executive Committee's terms of reference and is executed by the Group's Finance Division, based on the constant vigilance of exposure indicators, as well as being the object of close monitoring by the Board of Directors' Financial Risks Committee.

Liquidity and funding

Liquidity management continued to be one of the main priorities in the first semester of 2013. BPI pursued a balanced situation throughout the semester:

- In the intermediation business with customers, customer resources (retail deposits and bonds) constitute the principal source of funding, representing 78% and 95% of the domestic operations' and consolidated loan portfolio, respectively;
- The Bank had a portfolio of public debt from Eurozone countries valued, at market prices, at 6.6 th.M.€, at 30 June 2013, of which 3.6 th.M.€ are Portuguese short-term public-debt securities. Funding of this portfolio, which itself is totally discountable at the ECB, is derived from securities repo operations and from resources obtained from the ECB (4 th.M.€).
- The portfolio of assets eligible for funding from the Eurosystem totalled 12.3 th.M.€ at the end of June. Of that amount, the amount not yet utilised and therefore capable of being converted into immediate liquidity at the ECB was 6.4 th.M.€.
- The refinancing needs of medium and long-term debt maturing in the next few years are minimal: 1 028 M.€ from 2014 till 2018. It should also be noted that in 2019 there will be a significant release of liquidity with the redemption of 3 th.M.€ of medium and long-term bonds held by BPI in portfolio.

Funding in the 1st half of 2013

Following the launch at the end of 2011 and beginning of 2012 of the extraordinary 3-year liquidity-provision operations (LTRO) the market became very liquid, but even so the short-term interbank market did not begin to function.
The reopening of interbank lines did not take place and the greater part of liquidity began to be parked at the ECB.

The measure taken by the ECB in July 2012 of cutting the deposit facility rate from 0.25% to 0% contributed to the substantial reduction in the volume of liquidity placed with the ECB, although that decrease did not produce any effect on the liquidity swapped between banks at the centre of Europe and the banks of the peripheral markets.

In January and February 2013 the European Central Bank announced the possibility of the early repayment of the two 3-year operations (LTRO), which was well received by the market and in May the ECB cut the benchmark rates (7-day liquidity provision facility from 0.75% to 0.50%; the permanent 1-day liquidity provision facility from 1.5% to 1%; while the 1-day liquidity absorption facility remained at 0%). Besides these measures, the ECB encouraged the Central banks to stimulate the local interbank markets, which in Portugal give rise to the creation of the Interbank Money Market with and without guarantee.

The conditions for Portuguese banks to access the funding market during the first half of 2013 were: access to the short-term repo market, which functioned without interruptions and with interest rates below ECB refi rates, and to local interbank funding and from Angolan banks.

In terms of the collateral demanded from the Eurosystem there were no major changes in the criteria and haircuts during the 1st half of the year. In July there was a decrease in the public-debt haircuts of the States with ratings above A- and in the ABS, as well as an increase in the haircuts on covered bonds and the public debt of States with ratings below A-. Alterations are expected to occur in the haircuts of the ABS linked to loans advanced to SMEs as a means of encouraging lending to these firms.

Short-term Gap

BPI's short-term funding Gap (domestic activity) decreased from -7,5 th.M.€ in December 2012 to -6,7 th.M.€ in June 2013. The main factors behind this behaviour were:

- sales during the first quarter of 2013 of the remaining position in Portuguese Treasury Bonds acquired during 2012;
- reinforcement during the first half of the year of the Treasury Bills portfolio of 414 M€;
- sale of 233 M€ of the miscellaneous bonds portfolio;
- positive change in the commercial Gap of 0.8 th.M.€;
- repayment of 240 M.€ of own debt.

Trend in short-term funding GAP Amounts in M.€

GAP at 31 Dec.12	**(7 490)**
Change in commercial liquidity GAP	773
Redemption of own debt	(240)
Redemption of bonds held	233
Sale of Treasury Bonds	424
Change in Treasury Bills portfolio	(414)
GAP at 30 Jun.13	**(6 714)**

At the end of June 2013, short-term funding was split in the following manner:

- net debtor position in the money market of 1.7 th.M.€ and securities repos of 1.1 th.M.€. The decrease in funding via repos when compared with the end of 2012 (-660 M.€) reflects the decrease in liquidity needs;
- funding from the ECB of 4 th.M.€.

Financing of short term liquidity position Amounts in M.€

		2012	Jun.13
Short term lending			
Loans to credit institutions	1	72	120
[=1]	2	**72**	**120**
Short term borrowing			
Money market	3	(1 644)	(1 776)
Repos	4	(1 713)	(1 053)
[=3+4]	5	**(3 357]**	**(2 829]**
Euro commercial paper	6	(20)	(5)
Funding from the ECB (net of deposits)	7	(4 186)	(4 000)
[=Σ 5 to 7]	8	**(7 562)**	**(6 834)**
Total short term gap [=1+8]	9	**(7 490)**	**(6 714)**

Funding from the ECB

BPI did not make the early repayment of the 3-year LTRO funding contracted from the ECB in 2011 and 2012.

Nonetheless, the funding raised from the ECB fell by 200 M.€ during the six months, due to the minor liquidity requirements felt during the period.

Portfolio of assets eligible for the Eurosystem

At the end of June 2013, BPI had a portfolio of assets eligible for the Eurosystem of 12 301 M.€ (figures net of price changes and *haircuts*).

Taking into account portfolio drawings on that date for repo operations, for the collateralisation of various liability and for funding from the ECB, BPI had at its disposal an additional funding capability from the ECB of 6 396 M.€.

Assets eligible for the Eurosystem Amounts in M.€

		2012	Jun.13
Total eligible assets[1]	1	**11 783**	**12 301**
of which: assets given as collateral[2]	2	2 087	1 858
Net eligible assets [= 1 - 2]	3	**9 696**	**10 443**
Used as collateral in funding with ECB	4	4 233	4 046
Available eligible assets [= 3 - 4]	5	**5 463**	**6 396**

1) Total assets eligible for the Eurosystem funding, net of price appreciation and haircuts and before utilisation.
2) Assets given as collateral to entities other than the ECB.

The increase in the portfolio of eligible assets in the 1st half of 2013 essentially reflects the higher valuation attributed by the ECB to the collateralised and retained bonds (mortgage bonds and securitisations made for the ECB portfolio):

Prospects for the liquidity background in the second half of 2013

No substantial changes are envisioned to BPI's liquidity profile during the second half of 2013: debt redemptions up till the end of the year are minimal, as well as the portfolio redemptions.

Medium and long-term debt refinancing needs arising in the next few years are not significant: 1 028 M.€ from 2014 to 2018. It is also worth mentioning that in 2019 there will be a substantial release of liquidity through the redemption of 3 thousand M.€ of medium and long-term bonds held by BPI in portfolio.

At two moments - in March 2013 and now after the close of the 1st half of the year in July - Banco BPI made the early redemption of 200 M.€ and 80 M.€, respectively of the contingent convertible subordinated bonds after obtaining Bank of Portugal authorisation.

With these repayments, the amount of contingent convertible subordinated bonds held by the Portuguese State was reduced to 920 M.€.

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 any activities.

The BPI Group has procedures implemented for managing operational risks with the ultimate goal of maximising the security, resilience and efficiency of the management of the assets in its custody and the service rendered to the customer.

The management of operational risks is the responsibility of the Board of Directors' Executive Committee (CECA) and is operationally delegated to specific committees. The Operational Risks Committee approves and periodically reviews the principles of identification, evaluation, control, monitoring and mitigation of operational risks. Similarly, the Business Continuity Committee supervises the implementation of the policies and procedures which, in conformity with the recommendations of the Supervisory Entities aim to ensure BPI's uninterrupted functioning. Given its specificity, the Information Security domain is under the stewardship of an Information Security Committee which with the necessary technical expertise supervises and monitors the initiatives directed at controlling the exposure to those risks.

The management model adopted is based on a system of self-evaluation of the risks associated with the processes and on the decentralised recording of incidents, carried out directly by the area where it occurred. At each Division there are local operational-risk managers charged with the identification and the definition of mitigation measures.

The Operational Risks Analysis and Control Area, integrated within the Organisation and Quality Division, which is permanently and exclusively dedicated to the Management of Operational Risks, conceives and develops the methodologies for managing risk, the preparation and analysis of management information, and undertakes the relevant reporting. This Area, besides ensuring compliance with the governance model instituted, coordinates the local operational-risk managers and assists in the operationalization of the respective procedures.

Evaluation of exposure to operational risk

The operational risk occurrences are typified using the risk table envisaged in the Bank of Portugal's regulations.

The distribution of occurrences in the 1st half of 2013 by the type of risk in terms of frequency and financial impact, was as follows:

Losses associated with the occurrence of operational risk in the 1st half 2013

Breakdown by loss amount and frequency

Type of risk		%frequency	% effective impact
Execution, delivery and management of processes	*1*	54.0%	5.4%
External fraud	*2*	23.9%	6.2%
Internal fraud	*3*	1.6%	87.2%
Other	*4*	20.5%	1.3%
Total *[= Σ 1 to 4]*	*5*	**100.0%**	**100.0%**

Business continuity

The Business Continuity Plans of each one of the Group's bodies detail the strategy of BPI's response to events capable of putting at risk the safety of persons and other assets or which cause the interruption to normal functioning, identifying the procedures and alternative resources for guaranteeing the continuity of critical activities.

These plans and the information supporting them are located at sites off the Bank's premises in redundant systems, available and accessible to the respective managers at any moment and at any location.

It is worth highlighting the existence of alternative premises and technological platforms for guaranteeing the Bank's functioning under contingency conditions.

In the 1st half of 2013, besides the continuous revisions and adaptations respectively of the analyses of the impact and the Business Continuity Plans, the Communication Manual in response to incidents was published.
A trial run of the activation of the alternative technological infrastructures (*Disaster Recovery Plan*) was realised while the functioning conditions at the premises to be used in contingency situations were optimised.

Information security

The integration of the management of Information Security risks in the overall Operational Risks model was consolidated while maintaining a strong link to the information systems.

An information classification model was implemented while the methodology used in the management and monitoring the risks of the information systems and security was revised. The review of the prevention means is performed continuously, reinforcing them whenever necessary while monitoring both internal security and the utilisation of the homebanking channels.

LEGAL RISKS

In the specific domain of Operational Risks – legal risks – there is the possibility of incurring unexpected losses stemming from shortcomings in the analysis of the legal framework applicable at a given moment to the contracts / positions to be established or from an alteration to the same legal framework.

Special attention is paid in the realm of legal risks to the analysis of the legal framework and to the identification of any regulatory shortcomings; to the analysis of the prospects of changes to the legal framework and their consequences; to the clarification of the nature of contractual relationships and the interpretation given to them by the counterparties; the analysis of products, their legal situation, centralisation of communications to the supervision authorities and the drawing up of the respective processes for submission to such authorities; and to the identification/proposals of measures capable of reducing eventual litigation risks.

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 Financial Stability Forum (FSF), in the report "Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience", of 11 April 2008, and the Committee of European Banking Supervisors (CEBS), in the reports "CEBS report on banks' transparency on activities and products affected by the recent market turmoil" and "Report on issues regarding the valuation of complex and illiquid financial instruments", both of 18 June 2008, issued a series of recommendations relating to the transparency and disclosure of information.

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.

BPI attributes great importance to the maintenance of a frank and transparent relationship with shareholders, investors, financial analysts, authorities and other capital market players. The dissemination of accurate, timely, regular, clear and unbiased information which is important for evaluating their listed shares constitutes a concern of paramount importance at BPI.

Throughout the Directors' Report and the financial statements and respective notes, BPI describes in detail the Group's business and governance models, the major risks inherent in the Group's operations, the processes of risk analysis and management and the division of responsibilities amongst the various bodies, makes a detailed analysis of the activity carried out and the results obtained in the 1st half 2013, and the impacts of the economic and markets' background on business, results and capital, and it describes the accounting policies and valuation methods of financial assets and presents qualitative and quantitative information concerning the exposures to financial assets.

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 semester 2013.

I. BUSINESS MODEL

1. Description of the business model

In the chapter of the Directors' Report dealing with the financial and business structure, a detailed description is presented of the Group's financial structure and the main business areas.

The BPI Group's activity is centred on the commercial banking business, predominantly focused on the attraction of Customer resources and on the granting of loans to individuals, companies and institutions, in Portugal through Banco BPI, and in Angola through BFA. The Group also carries on investment banking activities (Equities, Corporate Finance, Private Banking and Private Equity) and asset management (unit trust fund management, pension funds and capitalisation insurance).

DR – Financial and business structure, page 9.

2. Description of strategies and objectives

In the Introduction of the Report and in the Financial Review and Risk Management chapters, the management's strategic priorities are presented and an assessment is made of the Group's performance and results in the 1st half 2013.

Since the beginning of the international financial crisis midway through 2007, followed later (from 2009) by a sovereign debt crisis in Europe, with grave implications for the functioning of the international financial system, BPI has implemented a programme in response to the challenges that this situation has posed: (i) defence and reinforcement of capital; (ii) guarantee of comfortable liquidity levels, (iii) risk reduction and control; and (iv) strengthening customer relationship. Added to this set of priorities in 2009 was (v) the improvement in profitability, inevitably affected by the impact of the global crisis.

RG – Presentation of the report, page. 5*; Financial review, page.39; Risk Management, page.66.*

3. Description of the importance of the operations carried out and the respective contribution to business

In the chapters "Domestic commercial banking", "Bancassurance", "Asset Management", "Investment Banking" and "International activity", the activity carried out in the 1st half 2013 is described in detail for each business area. In the "Financial review" chapter, and in the notes to the financial statements, in Note "3 – Segment Reporting", an analysis is made of each business area's contribution to the BPI Group's net profit, the balance sheet and investments, as well as of the capital allocation to each one of these areas.

DR – Domestic commercial banking, page 23; Bancassurance, page 24; Asset Management, page 29; Investment banking 31; International activity, page 35; Financial review, page 39; NFS – 3 Segment reporting, page 118.

4. Description of the type of activities undertaken
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken.
In the chapter dealing with financial and business structure, a detailed description is presented of the Group's financial structure and the main business areas. In the chapters "Domestic commercial banking", "Bancassurance", "Asset Management", "Investment Banking" and "International activity", the activity carried out in the 1st half 2013 is described for each business area.

DR – Domestic commercial banking, page.23; Bancassurance, page 24; Asset Management, page 29; Investment banking 31; International activity, page 35; Background to operations, page 13; Financial review, page 39; Risk management, page 66.

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
In the "Risk Management" chapter and in the notes to the financial statements, in Note "4.48 – Financial risks", a description is given of the major risks attaching to the Group's operations and the financial instruments used by it.

DR – Risk management, page 66;
NFS – 4.48 Financial risks, page 197 and following.

7. Description of major risk-management practices in operations
In the "Risk management" chapter, a detailed description is given highlighting the major risks attaching to the Group's operations, risk analysis and management and the division of the responsibilities amongst the various bodies.

The note to the financial statements, "4.48 – Financial risks", presents the fair value of the financial instruments and the valuation of the risk exposure resulting from financial instruments – credit risk, liquidity risk , market risk (interest-rate risk, equities risk and currency risk).

DR – Risk management, page 66;
NFS – 4.48 Financial risks, page 197 and following.

III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS

8. Qualitative and quantitative description of the results
In the Financial Review chapter, a qualitative and quantitative analysis is presented of the trend in the Group's business and results and of the impacts of the macroeconomic and market environment.

RG – Financial review, page.39.

9. Breakdown of the "write-downs" / losses by types of products and instruments affected by the period of turbulence
The notes to the financial statements, 4.5 Available-for-sale financial assets and 4.7 Loans to customers present details of the impairments and unrealised losses, security by security and in Note "4.48 – Financial risks" is given additional information on the exposure to sovereign debt.

The notes 4.20. Provisions and impairments and 4.40. Net gains/losses from financial operations present details of the losses recognised in consolidated net profit, resulting from the loan portfolios and securities held by the BPI Group.

NDF – 4.5. Available-for-sale financial assets page.131, 4.7. Loans to customers, page.138, 4.20. Provisions and impairments, page.161, 4.40. Net gains/losses from financial operations, page.188; 4.48 Financial risks, page 197.

10. Description of the reasons and factors responsible for the impact suffered
In the "Financial review" chapter, a qualitative and quantitative review is presented showing the Group's operational and financial performance and the impacts of the macroeconomic and market environment.

In the "Background to operations" chapter, a description is given of the economic environment behind the domestic and international operations (Angola and Mozambique), the behaviour of the financial markets.

DR – Financial review, page 39; Background to operations, page 13.

11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period
A description of the effects of macroeconomic and market environment and a comparative review of the 1st half 2013 financial statements relative to the semester of the previous year are presented in the "Financial review" chapter.

DR – Financial review, page 39.

12. Breakdown of the write-downs between realised and unrealised amounts

The impact on the Group's results of the drop in the value of the equities and bond portfolios is described in the "Financial review" chapter, in "Profits from financial operations", in "Impairments in the year" and in the notes to the financial statements "4.40 Net income on financial operations" and "4.20 Provisions and impairment losses".

In the notes to the financial statements "4.5 Financial assets available for sale" and "4.7 Loans and advances to Customers", details are presented of the impairment losses and unrealised losses, security by security, at 30 June 2013.

DR – Financial review, page 39;
NFS – 4.5 Financial assets available for sale, page 131; 4.7 Loans and advances to Customers, page 138; 4.40 Net income on financial operations, page 188; 4.20 Provisions and impairment losses, page 161.

13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares

In the the chapter "Banco BPI shares", a description is presented of the stock exchange behaviour of Banco BPI shares and of the influence that the performance of the equity markets at global level had on the share's behaviour.

DR – Banco BPI shares, page 89.

14. Disclosure of the maximum loss risk

In the "Risk management" chapter and in the note to the financial statements "4.48 Financial risks", information is presented regarding the maximum losses resulting from the unexpected changes in the price of instruments or operations and risk indicators based on VaR and stress test models.

DR– Risk management, page 66;
NFS – 4.48 Financial risks, page 197 and following.

15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings

An analysis is presented in the "Financial review" chapter of the trend in remunerated asset and liability spreads and their impact on the Group's earnings. The Bank did not revalue its liabilities.

DR – Financial review, page 55 and 61.

IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD

16. Nominal value (or amortised cost) and fair value of exposures

In the note to the financial statements "4.48 Financial risks", the book value is compared with the estimated fair value for most of the BPI Group's assets and liabilities at 30 June 2013.

The note to the financial statements "4.5 Financial assets available for sale", presents details of the nominal value, book value and unrealised gains and losses recorded in the fair value reserve, security by security, at that date.

NFS – 4.48 Financial risks, page 197 and following; 4.5 Financial assets available for sale, page 131.

17. Information about credit risk mitigation and respective effects on existing exposures

In the "Risk management" chapter, a description is presented of the impact of credit risk mitigation on credit operations with Customers and on derivative operations.

DR – Risk management, page 66 and following.

18. Detailed disclosure of exposures

In the Risk Management chapter and in the note to the financial statements – "4.48 Financial risks" - an analysis is presented of the quality of the loan and securities portfolios based on rating systems and internal scoring and on the recourse to external ratings. The information is complemented by the analysis of the default levels, the existence of tangible guarantees and cover by impairment allowances.

The exposure to country risk is described in a separate section of the "Risk management" chapter.

In the notes to the financial statements "4.5 Financial assets available for sale" and Note "4.7 Loans and advances to Customers", details are presented of the exposures to available-for-sale securities and securitised loans, security by security (including structured products, namely ABS).

DR – Risk management, page 66;
NFS – 4.48 Financial risks, page 197 and following; 4.5 Financial assets available for sale, page 131; and 4.7 Loans and advances to Customers, page 138.

19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)

In the "Financial review" chapter the principal changes occurring in the financial assets and investments portfolio are described.

DR – Financial review, page 54 and 64.

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 2013, BPI's exposure to *mono-line* insurers was totally indirect and stemmed from the existence of a position held, the interest and principal of which were unconditionally guaranteed by this type of company. There were no losses worth noting, given that this security was not in default. At the end of June 2013, BPI exposure to mono-line insurers amounted to 7 M.€ (book value).

V. ACCOUNTING AND VALUATION POLICIES

22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment

The note to the financial statements "2.2 Financial assets and liabilities", describes the accounting criteria used in the recognition and valuation of financial assets and liabilities are described.

BPI's investments in structured products (namely ABS) were included in the securitised loans portfolio and in the available-for-sale assets (notes to the financial statements 2.2.6 and 2.2.3, respectively).

The debt securitisation operations originated by BPI are recognised in financial liabilities associated with transferred assets (notes to the financial statements 2.2.4 and 4.19).

NFS – 2.2 Financial assets and liabilities, page 103; 4.5. Financial assets available for sale, page 131; 2.2.4 Loans and other receivables, page 105; 4.19 Financial liabilities relating to transferred assets, page 158.

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

In the note to the financial statements "4.48 Financial risks" presents details of the estimated fair value for virtually all of the BPI Group's financial assets and liabilities at 30 June 2013.

NFS – 4.48 Financial risks, page 197 and following.

25. Description of the modelling techniques utilised for valuing financial instruments

The notes to the financial statements "2.2. Financial assets and liabilities" and "4.48 Financial risks" describe the techniques utilised in valuing financial instruments.

NFS – 2.2. Financial assets and liabilities, page 103 and 4.48 Financial risks, page 197 and following.

VI. OTHER IMPORTANT DISCLOSURE ASPECTS

26. Description of disclosure policies and principles which are used in financial reporting

In the BPI Group's 2012 Corporate Governance Report, in point "9. Communication with the market", detailed information is provided regarding the principles of financial information disclosure and the communication channels used, the Investor Relations Division's terms of reference and the activity carried out in the year.

CGovR 2012 – 9. Communication with the market, page 325.

DR – Directors' Report; NFS – Notes to the financial statements; CGovR – Corporate governance report.

Rating

During the 1st semester of 2013, the bank's individual ratings didn't change.

As regards the Portuguese Republic rating, the only change that took effect was S&P downward revision of the Outlook for the credit rating from stable to negative.

The current long-term ratings given to BPI by Moody's and Fitch are the same as those attributed to the Republic, whereas in the case of Standard & Poor's, BPI's *rating* is 1 notch below that of the Republic. The Outlook for the *ratings* given to BPI is negative.

Fitch Ratings	
Banco BPI[1]	
Credit rating (LT / ST)	BB+ / B
Outlook	Negative
Viability rating	bb-
Collateralised senior debt	
▪ Mortgage	BBB
Non-collateralised senior debt (LT / ST)	BB+ / B
Subordinated debt	B+
Commercial paper	B
Preference shares	CCC
Portuguese Republic sovereign risk	
Long term / Short term	BB+ / B
Outlook	Negative

Moody's	
Banco BPI[2]	
Credit rating (LT / ST)	Ba3 / Not prime
Outlook	Negative
Financial strength (BFSR)	E+
Collateralised senior debt	
▪ Mortgage	Baa3
▪ Public sector	Baa3
Non-collateralised senior debt	Ba3
Subordinated debt	B2
Subordinated junior debt	B3
Other short-term debt	Not prime
Preference shares	Caa1 (hyb)
Portuguese Republic sovereign debt	
Long term / Short term	Ba3 / Not prime
Outlook	Negative

Standard & Poor's	
Banco BPI[3]	
Credit rating (LT / ST)	BB- / B
Outlook	Negative
Stand-alone credit profile (SACP)	bb-
Certificates of deposits (LT / ST)	n.a.
Collateralised senior debt	
▪ Mortgage	A-
▪ Public sector	BB-
Non-collateralised senior debt	BB-
Subordinated debt	B-
Subordinated junior debt	CCC-
Commercial paper	B
Short-term debt	B
Preference shares	CCC+
Portuguese Republic sovereign risk	
Long term / Short term	BB / B
Outlook	Negative

1) Rating decision on 25 November 2011. On the 10 July 2013, Fitch Ratings reaffirmed BPI credit rating notations (LT/ST), with a negative Outlook, and the stand-alone credit rating notation (viability rating).
2) Rating decision on 28 March 2012. Last report ("Credit Opinion") on 29 July 2013.
3) Rating decision on 14 February 2012. On 11 July 2013, Standard & Poor's reaffirmed BPI credit rating notations (LT/ST), with a negative Outlook.

Banco BPI shares

STOCK MARKET PERFORMANCE

Banco BPI shares retreated 3.7% in the first half of the year, closing the period at 0.908 euro. The European banking sector represented by the DJ Europe Stoxx Banks and the Portuguese PSI20 and the Spanish IBEX35 indices also closed in negative territory, with falls of 1.6%, 1.7% and 5.0% respectively.

Contributing to this negative performance were the Cypriot crisis and the details of the actual bail-out programme, which once again underlined the euro zone's fragility, the expectation created by the FED that a start could yet be made this year to the tapering of the exceptional monetary policy stimulus programme and the signs of the political crisis in Portugal in June.

In this context and after the rally observed at the beginning of the year – the share price reached a high of 1.38, BPI shares began to follow a downward trajectory in the six months, sinking to a low of 0.84 towards the end of June.

Weight in indexes (30 Jun. 13)
PSI-20: 1.79%; #12
Next 150: 0.89%; #44

Codes and tickers
ISIN and Euronext code: PTBPI0AM004
Reuters: BBPI.LS
Bloomberg: BPI PL

Banco BPI shares selected indicators

	1st half 2012	1st half 2013
Banco BPI share price (€)		
Maximum price	0.621	1.380
Average price	0.487	1.142
Minimum price	0.338	0.840
Closing price	0.527	0.908
Change in the share price and in the relevant indexes		
Banco BPI	11.9%	(3.7%)
PSI-20	(14.5%)	(1.7%)
IBEX 35	(17.1%)	(5.0%)
Dow Jones Europe STOXX Banks	0.2%	(1.6%)
Dow Jones STOXX 600	2.7%	1.9%
Data per share (€) [1]		
Net profit	0.08	0.04
Cash flow after taxation	0.28	0.17
Book value	0.98	1.34
Weighted average no. of shares (in millions)	1,004.4	1,383.7
Stock market capitalisation		
Stock market capitalisation (M.€)	533	1262
Liquidity		
Trading volume in the period (M.€)	54	263
Daily average trading volume (M.€)	0.4	2.1
Daily average trading quantity (x th.)	868	1845

1) Amounts per share adjusted by the capital increase by cash entry held in August 2012 (200 M.€).

OWN SHARES

Banco BPI manages a treasury shares portfolio created with the purpose of executing the variable-remuneration scheme (Portuguese initials – RVA) for Employees and Directors. The transactions in the 1st half 2013 detailed below were performed with that purpose.

At the end of June 2013, Banco BPI held 6 204 733 treasury shares (0.45% of capital).

Banco Português de Investimento, S.A. entity 100% held by Banco BPI, and the other subsidiaries whose management is controlled by Banco BPI, did not hold any Banco BPI shares at the end of June 2013.

Treasury shares transactions in the 1st half 2013

Amounts in €

	No. shares held (31 Dec.12)	Acquisition			Disposal			Total turnover (amount)	N.º shares held (30 Jun. 13)[2]
		Quantity	Amount	Average Price	Quantity	Amount	Average Price		
Banco BPI (over-the-counter)[1]	6 492 950	0	0	-	288 217	357 815	1.24	288 217	6 204 733
Banco Português de Investimento	0	51 000	57 289	1.12	51 000	56 474	1.11	102 000	0
Over-the-counter		0	0	-	21 000	24 066	1.15	21 000	
In the stock Exchange		51 000	57 289	1.12	30 000	32 408	1.08	81 000	
Total	**6 492 950**	**51 000**	**57 289**	**1.12**	**339 217**	**414 289**	**1.22**	**390 217**	**6 204 733**
% of share capital	**0.47%**	**0.004%**			**0.02%**			**0.03%**	**0.45%**

Note: Banco BPI staff pension fund held at that date 7 952 597 Banco BPI shares, corresponding to 0.57% of the Bank's capital.

1) Over-the-counter trades only.

2) The balance of treasury shares at the end of June 2013 does not include 52 087 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.

27 August 2013

Banco BPI, S.A.

Consolidated financial statements as of June 30, 2013 and 2012

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

(Translation of statements of cash flows originally issued in Portuguese - Note 5)

(Amounts expressed in thousands of Euro)

	Jun. 30, 13	Jun. 30, 12
Operating activities		
Interest, commissions and similar income received	1 230 236	1 398 454
Interest, commissions and similar expenses paid	(750 613)	(806 489)
Recovery of loans and interest in arrears	10 368	7 685
Payments to personnel and suppliers	(279 845)	(296 439)
Net cash flow from income and expenses	210 146	303 211
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	1 219 298	(1 346 789)
Loans and advances to credit institutions	(165 379)	527 947
Loans and advances to customers	298 457	618 659
Other assets	(61 307)	(88 968)
Net cash flow from operating assets	1 291 069	(289 151)
Increase (decrease) in:		
Resources of central banks and other credit institutions	(836 646)	849 655
Resources of customers	841 490	145 171
Financial liabilities held for trading	(79 387)	(98 844)
Other liabilities	(221 300)	30 339
Net cash flow from operating liabilities	(295 843)	926 321
Contributions to the Pension Funds	(2 975)	(40 695)
Income tax paid	(46 087)	(16 944)
	1 156 310	**882 742**
Investing activities		
Purchase of other tangible assets and intangible assets	(12 069)	(9 929)
Sale of other tangible assets	69	365
Dividends received and other income	9 026	19 351
	(2 974)	**9 787**
Financing activities		
Liability for assets not derecognised	(112 014)	(489 782)
Issuance of contingent convertible subordinated bonds		1 500 000
Redemption of contingent convertible subordinated bonds	(200 000)	
Issuance of debt securities and subordinated debt	95 355	94 340
Redemption of debt securities	(1 203 025)	(1 396 119)
Purchase and sale of own debt securities and subordinated debt	247 210	(275 110)
Purchase and sale of preference shares		(1 644)
Interest on contingent convertible subordinated bonds	(3 423)	
Interest on debt securities and subordinated debt	(64 974)	(102 342)
Dividends paid on preference shares	(472)	(756)
Dividends distributed to minority interests	(54 021)	(64 181)
Purchase and sale of treasury shares	(934)	108
	(1 296 298)	**(735 486)**
Net increase (decrease) in cash and equivalents	(142 962)	157 043
Cash and equivalents at the beginning of the period	1 722 717	1 529 469
Cash and equivalents at the end of the period	**1 579 755**	**1 686 512**

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
Vice-President António Domingues
Members António Farinha Morais
José Pena do Amaral
Manuel Ferreira da Silva
Maria Celeste Hagatong
Pedro Bissaia Barreto

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2013 AND AS OF DECEMBER 31, 2012

(Translation of balance sheets originally issued in Portuguese - Note 5)

(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 13 Amounts before impairment, depreciation and amortisation	Jun. 30, 13 Impairment, depreciation and amortisation	Jun. 30, 13 Net	Dec. 31, 12 Net
ASSETS					
Cash and deposits at central banks	4.1	1 257 310		1 257 310	1 269 365
Deposits at other credit institutions	4.2	322 562		322 562	453 438
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	1 100 590		1 100 590	1 111 646
Financial assets available for sale	4.5	9 582 327	84 239	9 498 088	10 252 882
Loans and advances to credit institutions	4.6	1 878 193	3	1 878 190	1 710 727
Loans and advances to customers	4.7	27 908 681	894 315	27 014 366	27 345 473
Held to maturity investments	4.8	253 029		253 029	445 298
Hedging derivatives	4.4	205 958		205 958	280 737
Other tangible assets	4.9	731 186	525 646	205 540	210 689
Intangible assets	4.10	102 378	88 064	14 314	14 017
Investments in associated companies and jointly controlled entities	4.11	209 181		209 181	202 255
Tax assets	4.12	545 839		545 839	617 692
Other assets	4.13	734 750	72 318	662 432	650 362
Total Assets		**44 831 984**	**1 664 585**	**43 167 399**	**44 564 581**

	Notes	Jun. 30, 13	Dec. 31, 12
LIABILITIES			
Resources of central banks	4.14	4 132 763	4 270 918
Financial liabilities held for trading	4.15/4.4	260 777	340 164
Resources of other credit institutions	4.16	1 883 999	2 568 421
Resources of customers and other debts	4.17	25 378 954	24 621 139
Debt securities	4.18	2 884 530	3 787 627
Financial liabilities relating to transferred assets	4.19	1 477 959	1 590 984
Hedging derivatives	4.4	616 472	814 983
Provisions	4.20	129 667	138 398
Technical provisions	4.21	2 352 222	2 255 364
Tax liabilities	4.22	62 276	120 176
Contingent convertible subordinated bonds	4.23	1 041 633	1 200 279
Other Subordinated debt and participating bonds	4.24	144 350	156 331
Other liabilities	4.25	611 496	639 153
Total Liabilities		**40 977 098**	**42 503 937**
SHAREHOLDERS' EQUITY			
Subscribed share capital	4.26	1 190 000	1 190 000
Other equity instruments	4.27	3 159	8 558
Revaluation reserves	4.28	(456 326)	(507 614)
Other reserves and retained earnings	4.29	1 072 266	786 175
(Treasury shares)	4.27	(17 356)	(18 272)
Consolidated net income of the BPI Group	4.43	58 915	249 135
Shareholders' equity attributable to the shareholders of BPI		**1 850 658**	**1 707 982**
Minority interests	4.30	339 643	352 662
Total Shareholders' Equity		**2 190 301**	**2 060 644**
Total Liabilities and Shareholders' Equity		**43 167 399**	**44 564 581**

	Notes	Jun. 30, 13 Net	Dec. 31, 12 Net
OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.7/4.31	2 165 356	2 390 359
Of which:			
[Guarantees and sureties]		[2 001 136]	[2 185 640]
[Others]		[164 220]	[204 719]
Commitments	4.31	2 530 868	2 546 845

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.

CONSOLIDATED STATEMENTS OF INCOME FOR PERIODS ENDED JUNE 30, 2013 AND 2012

(Translation of statements of income originally issued in Portuguese - Note 5)

(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 2013	Jun. 30, 2012
Interest and similar income		718 818	990 190
Interest and similar expenses		(499 627)	(715 410)
Financial margin (narrow sense)	4.34	**219 191**	**274 780**
Gross margin on unit links	4.35	1 392	1 402
Income from equity instruments	4.36	3 180	3 036
Net commission relating to amortised cost	4.37	12 839	12 840
Financial margin		**236 602**	**292 058**
Technical result of insurance contracts	4.38	11 247	12 250
Commissions received		154 505	157 126
Commissions paid		(20 351)	(21 792)
Other income, net		22 970	21 518
Net commission income	4.39	**157 124**	**156 852**
Gain and loss on operations at fair value		57 143	159 745
Gain and loss on assets available for sale		129 076	17 899
Interest and financial gain and loss with pensions		2 084	441
Net income on financial operations	4.40	**188 303**	**178 085**
Operating income		5 166	3 627
Operating expenses		(11 967)	(7 618)
Other taxes		(2 811)	(2 388)
Net operating income	4.41	**(9 612)**	**(6 379)**
Operating income from banking activity		**583 664**	**632 866**
Personnel costs	4.42	(184 554)	(179 475)
General administrative costs	4.43	(119 533)	(119 472)
Depreciation and amortisation	4.9/4.10	(15 899)	(16 927)
Overhead costs		**(319 986)**	**(315 874)**
Recovery of loans, interest and expenses		10 368	7 685
Impairment losses and provisions for loans and guarantees, net	4.20	(150 582)	(146 457)
Impairment losses and other provisions, net	4.20	(10 560)	(34 513)
Net income before income tax		**112 904**	**143 707**
Income tax	4.44	(25 282)	(27 375)
Earnings of associated companies (equity method)	4.45	10 191	8 743
Global consolidated net income		**97 813**	**125 075**
Income attributable to minority interests	4.32	(38 898)	(40 022)
Consolidated net income of the BPI Group	4.46	**58 915**	**85 053**

Earnings per share (in Euro)			
Basic		0.043	0.087
Diluted		0.042	0.086

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR PERIODS ENDED JUNE 30, 2013 AND 2012

(Translation of statements of comprehensive income originally issued in Portuguese - Note 5)

(Amounts expressed in thousands of Euro)

	Jun. 30, 13			Jun. 30, 12		
	Attributable to shareholders of the BPI Group	**Attributable to minority interests**	**Total**	**Attributable to shareholders of the BPI Group**	**Attributable to minority interests**	**Total**
Consolidated net income	**58 915**	**38 898**	**97 813**	**85 053**	**40 022**	**125 075**
Income not included in the consolidated statements of income:						
Items that will not be reclassified to net income						
Actuarial deviations	44 921		44 921	42 043		42 043
Tax effect	(14 039)		(14 039)	(12 112)		(12 112)
	30 882		**30 882**	**29 931**		**29 931**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences	(544)	1 025	481	8 475	9 046	17 521
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale	201 375		201 375	537 611		537 611
Tax effect	(57 992)		(57 992)	(155 094)		(155 094)
Transfer to income resulting from sales	(128 654)		(128 654)	(20 893)		(20 893)
Tax effect	37 224		37 224	6 033		6 033
Transfer to income resulting from impairment recognized in the period	(170)		(170)	17 114		17 114
Tax effect	49		49	(4 939)		(4 939)
Valuation of assets of associated companies	3 424		3 424	16 403		16 403
Tax effect	(856)		(856)	(4 591)		(4 591)
	53 856	**1 025**	**54 881**	**400 119**	**9 046**	**409 165**
Income not included in the consolidated statements of income	**84 738**	**1 025**	**85 763**	**430 050**	**9 046**	**439 096**
Consolidated comprehensive income	**143 653**	**39 923**	**183 576**	**515 103**	**49 068**	**564 171**

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR PERIODS ENDED JUNE 30, 2013 AND 2012

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

(Amounts expressed in thousands of Euro)

	Subscribed share capital	Share premium account	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Treasury shares	Net income	Minority Interests	Shareholders ' equity
Balance at December 31, 2011	**990 000**	**128 432**	**8 030**	**(1 251 533)**	**900 312**	**(21 020)**	**(284 871)**	**353 038**	**822 388**
Appropriation of net income for 2011 to reserves					(284 871)		284 871		
Use of share premium account to cover negative retained earnings		(128 432)			128 432				
Dividends paid on preference shares								(756)	(756)
Dividends paid to minority interests								(64 181)	(64 181)
Variable Remuneration Program (RVA)			49			77			126
Sale / purchase of treasury shares					(18)				(18)
Sale / purchase of preference shares					747			(2 088)	(1 341)
Consolidation of BPI Alternative Fund								(2 362)	(2 362)
Consolidation of BPI Obrigações Mundiais Fund (ex-BPI Taxa Variável Fund)								(10 669)	(10 669)
Comprehensive income for the first half of 2012				388 307	41 743		85 053	49 068	564 171
Other					63				63
Balance at June 30, 2012	**990 000**		**8 079**	**(863 226)**	**786 408**	**(20 943)**	**85 053**	**322 050**	**1 307 421**
Increase in share capital	200 000								200 000
Dividends paid on preference shares								(563)	(563)
Variable Remuneration Program (RVA)			479			2 671			3 150
Sale / purchase of treasury shares					(1 734)				(1 734)
Sale / purchase of preference shares								23	23
Consolidation of BPI Alternative Fund								(742)	(742)
Comprehensive income for 2012				355 612	1 504		164 082	31 894	553 092
Other					(3)				(3)
Balance at December 31, 2012	**1 190 000**		**8 558**	**(507 614)**	**786 175**	**(18 272)**	**249 135**	**352 662**	**2 060 644**
Appropriation of net income for 2012 to reserves					249 135		(249 135)		
Dividends paid on preference shares								(472)	(472)
Dividends paid to minority interests								(54 021)	(54 021)
Variable Remuneration Program (RVA)			(5 399)			916			(4 483)
Sale / purchase of treasury shares					3 548				3 548
Sale / purchase of preference shares								18	18
Consolidation of BPI Alternative Fund								(609)	(609)
Consolidation of BPI Alternative Fund Luxembourg								2 102	2 102
Comprehensive income for the first half of 2013				51 288	33 449		58 915	39 923	183 575
Other					(41)			40	(1)
Balance at June 30, 2013	**1 190 000**		**3 159**	**(456 326)**	**1 072 266**	**(17 356)**	**58 915**	**339 643**	**2 190 301**

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2013 AND 2012

(Translation of statements of cash flows originally issued in Portuguese - Note 5)

(Amounts expressed in thousands of Euro)

	Jun. 30, 13	Jun. 30, 12
Operating activities		
Interest, commissions and similar income received	1 230 236	1 398 454
Interest, commissions and similar expenses paid	(750 613)	(806 489)
Recovery of loans and interest in arrears	10 368	7 685
Payments to personnel and suppliers	(279 845)	(296 439)
Net cash flow from income and expenses	210 146	303 211
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	1 219 298	(1 346 789)
Loans and advances to credit institutions	(165 379)	527 947
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Increase (decrease) in:		
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Financial liabilities held for trading	(79 387)	(98 844)
Other liabilities	(221 300)	30 339
Net cash flow from operating liabilities	(295 843)	926 321
Contributions to the Pension Funds	(2 975)	(40 695)
Income tax paid	(46 087)	(16 944)
	1 156 310	**882 742**
Investing activities		
Purchase of other tangible assets and intangible assets	(12 069)	(9 929)
Sale of other tangible assets	69	365
Dividends received and other income	9 026	19 351
	(2 974)	**9 787**
Financing activities		
Liability for assets not derecognised	(112 014)	(489 782)
Issuance of contingent convertible subordinated bonds		1 500 000
Redemption of contingent convertible subordinated bonds	(200 000)	
Issuance of debt securities and subordinated debt	95 355	94 340
Redemption of debt securities	(1 203 025)	(1 396 119)
Purchase and sale of own debt securities and subordinated debt	247 210	(275 110)
Purchase and sale of preference shares		(1 644)
Interest on contingent convertible subordinated bonds	(3 423)	
Interest on debt securities and subordinated debt	(64 974)	(102 342)
Dividends paid on preference shares	(472)	(756)
Dividends distributed to minority interests	(54 021)	(64 181)
Purchase and sale of treasury shares	(934)	108
	(1 296 298)	**(735 486)**
Net increase (decrease) in cash and equivalents	(142 962)	157 043
Cash and equivalents at the beginning of the period	1 722 717	1 529 469
Cash and equivalents at the end of the period	**1 579 755**	**1 686 512**

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Banco BPI, S.A.

Notes to the consolidated financial statements as of June 30, 2013 and 2012

(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, 2013 the Group's banking operations were carried out principally through Banco BPI in the commercial banking area and through BPI Investimentos in the investment banking area. The BPI Group is also the holder of a 50.1% participation in Banco de Fomento Angola, S.A. which operates as a commercial bank in Angola.

In 2012 the BPI Group changed its participation in Fundo BPI Taxa Variável, Fundo de Investimento Aberto de Obrigações de Taxa Variável (Fundo BPI Taxa Variável), a fund managed by BPI Gestão de Activos, to a participation of less than 50%. According to the Group's accounting policy, the investment funds are consolidated only if the Group has control, i.e., when the Group holds more than 50% of the participating units. Thus, the participation in this fund was reclassified to the financial assets available for sale portfolio, and is no longer recorded in accordance with the full consolidation method. In December 2012 Fundo BPI Taxa Variável changed its name to BPI Obrigações Mundiais, Fundo de Investimento Aberto (Fundo BPI Obrigações Mundiais).

In 2012 TC Turismo Capital – SCR, S.A. and Aicep Capital were merged by incorporation into Inovcapital – Sociedade de Capital de Risco, S.A., the corporate name of which was changed to Portugal Capital Ventures – Sociedade de Capital de Risco, S.A. The BPI Group ceased to have participations of 25% in TC Turismo Capital – SCR, S.A. and 4.4% in Inovcapital – Sociedade de Capital de Risco, S.A. and now has a 6.4% participation in Portugal Capital Ventures, that has been recorded in the financial assets available for sale portfolio.

In 2012 the BPI Group dissolved and liquidated Ulissipair ACE, a consortium of companies, 50% of which was held by Banco Português de Investimento, S.A.

In January 2013 the BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux) was established. At June 30, 2013, the BPI Group, through BPI Investimentos held 87.7% of the participating units of this fund, its financial statements being consolidated in the financial statements of the BPI Group in accordance with the full consolidation method.

In the first half of 2013 the BPI Group increased its participation to 100% of the share capital of BPI Dealer – Sociedade Financeira de Corretagem (Mozambique), through the acquisition of 10.5% of the share capital of that company, previously owned by Banco Comercial e de Investimentos (Mozambique).

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.

At June 30, 2013 the BPI Group was made up of the following companies:

	Head Office	Shareholders' equity	Total assets	Net income (loss) for the period	Direct participation	Effective participation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1297 576	42 425 474	34 497			
Banco Português de Investimento, S.A.	Portugal	60 749	1868 734	567	100.00%	100.00%	Full Consolidation
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	137 755	1910 548	13 562	29.70%	30.00%	Equity Method
Banco de Fomento Angola, S.A.	Angola	559 056	6 277 412	76 752	50.08%	50.10%	Full Consolidation
Banco BPI Cayman, Ltd.	Cayman Islands	157 112	191440	862		100.00%	Full Consolidation
Specialised loan companies							
BPI Locação de Equipamentos, Lda	Portugal	8 070	8 873	24	100.00%	100.00%	Full Consolidation
Asset management companies and dealers							
BPI Dealer – Sociedade Financeira de Corretagem (Moçambique), S.A.R.L.	Mozambique	(995)	503	(454)	13.50%	100.00%	Full Consolidation
BPI Gestão de Activos – Gestão de Fundos de Investimento Mobiliários, S.A	Portugal	14 174	22 768	3 660	100.00%	100.00%	Full Consolidation
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	742	1250	268	100.00%	100.00%	Full Consolidation
BPI (Suisse), S.A.	Switzerland	6 844	7 823	1928		99.90%	Full Consolidation
BPI Alternative Fund: Iberian Equities Long/Short Fund	Portugal	57 602	87 613	1045		87.16%	Full Consolidation
BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux)	Luxembourg	17 208	17 793	68		87.73%	Full Consolidation
Venture capital companies							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	26 438	28 756	357	100.00%	100.00%	Full Consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	915	2 025	56		49.00%	Equity Method
Insurance companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	208 951	3 135 647	40 217	100.00%	100.00%	Full Consolidation
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	46 846	122 181	2 940	50.00%	50.00%	Equity Method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	248 552	1165 295	13 717	35.00%	35.00%	Equity Method
Others							
BPI Capital Finance Ltd.[1]	Cayman Islands	53 574	53 577	486	100.00%	100.00%	Full Consolidation
BPI Capital Africa (Proprietary) Limited	South Africa	(1687)	1633	(855)		100.00%	Full Consolidation
BPI, Inc.	U.S.A.	1163	3 330	57	100.00%	100.00%	Full Consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	152 944	156 427	75	100.00%	100.00%	Full Consolidation
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	78 403	82 373	(2 576)	32.78%	32.78%	Equity Method
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	85 301	309 426	5 681	20.65%	21.01%	Equity Method

Note: Unless otherwise indicated, all amounts are as of June 30, 2013 (accounting balances before consolidation adjustments). The financial statements of subsidiaries, associates and jointly controlled entities are pending approval by the respective governing bodies. However, the Board of Directors of Banco BPI believes that there will be no changes with significant impact on the consolidated income of the Bank.

[1] Share capital is made up of 5 000 ordinary shares of 1 Euro each, and 53 427 000 non-voting preference shares of 1 euro each. The BPI Group's effective participation corresponds to 0.009% considering the preference shares.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) BASES OF PRESENTATION

The consolidated financial statements were prepared from the accounting records of Banco BPI and its subsidiary and associated companies in conformity with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), as endorsed by the European Union in accordance with Regulation (EC) 1606/2002 of July 19 of the European Parliament and Council, incorporated into Portuguese legislation through Bank of Portugal Notice 1/2005 of February 21.

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 and reflected in the financial statements as of June 30, 2013, were as follows:

- IAS 1 – Presentation of Financial Statements – Presentation of captions in the Statement of Comprehensive Income (amendment): this standard was revised to clarify the presentation of the various captions included in the Statement of Comprehensive Income, making it possible to distinguish which balances of these captions can subsequently be reclassified to the statement of income. These amendments are mandatory for years beginning on or after July 1, 2012.

- IAS 12 – Income Taxes – Recovery of Deferred Tax Assets (amendment) - this amendment establishes a presumption that the recovery of investment property measured at fair value in accordance with IAS 40 will be made through sale. This amendment is mandatory for years beginning on or after January 1, 2013.

- IAS 19 – Employee Benefits (amendment) – this standard was amended to include several changes relating to: (i) the recognition of actuarial gains and losses due to differences between the assumptions used in the determination of liabilities and the expected return on assets and the actual amounts, as well as gains and losses due to changes in the actuarial and financial assumptions during the year, by corresponding entry to shareholders' equity; (ii) a single interest rate must be used for liabilities and plan assets; (iii) the difference between the actual return on the plan's assets and the single rate used must be recorded as actuarial gains and losses; (iv) costs recognized in the statement of income correspond only to the current service cost and net interest expense. New requirements in terms of financial statement disclosures were also introduced. This amendment is mandatory for years beginning on or after January 1, 2013.

- IFRS 7 - Financial Instruments: Disclosures (amendment): this standard was amended to require additional disclosures for financial instruments, namely information regarding those subject to netting and similar agreements. This amendment is mandatory for years beginning on or after January 1, 2013.

- IFRS 13 – Fair Value Measurement: this standard replaces the existing guidance in the various standards regarding fair value measurement. This standard is applied when another standard requires or permits fair value measurements or disclosures. This standard is of mandatory application for years beginning on or after January 1, 2013.

- Improvements to the International Financial Reporting Standards - Cycle 2009-2011: this involved a revision of five accounting standards, namely: (i) IFRS 1 (allowed the application of IFRS 1 with respect to borrowing costs on certain qualifying assets), (ii) IAS 1 (clarification of the requirements regarding comparative information), (iii) IAS 16 (classification of maintenance equipment), (iv) IAS 32 (clarifies that the tax effect of a distribution to the holders of equity instruments must be recorded in accordance with IAS 12 - Income Taxes), and (v) IAS 34 (clarification regarding interim reporting of segment information in relation to total assets, with the aim of increasing consistency with the requirements of IFRS 8 - Operating Segments). These amendments are of mandatory application for years beginning on or after January 1, 2013.

The changes to the above standards did not have significant impact on the financial statements presented.

At June 30, 2013 the following standards (new and revised) and interpretations, already endorsed by the European Union, were available for early adoption:

- IAS 27 – Separate Financial Statements (amendment): this standard was amended to restrict the scope of IAS 27 to separate financial statements. This amendment is mandatory for years beginning on or after January 1, 2014.

- IAS 28 – Investments in Associates and Jointly Controlled Entities (amendment): changes were made to this standard to ensure consistency with the new standards adopted, especially the IFRS 11 – Joint Arrangements. This amendment is mandatory for years beginning on or after January 1, 2014.

- IAS 32 – Financial Instruments: Presentation (amendment): this standard was amended to clarify certain aspects relating to the diversity of the application of offsetting requirements. This amendment is mandatory for years beginning on or after January 1, 2014.

- IFRS 10 – Consolidated Financial Statements: this standard establishes the requirements for the presentation of consolidated financial statements by the parent company replacing, on this matter, IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. This standard also introduces new requirements concerning the definition of control and the determination of the consolidation perimeter. This standard is of mandatory application for years beginning on or after January 1, 2014.

- IFRS 11 – Joint Arrangements: this standard replaces IAS 31 –Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Developers and excludes the possibility of using the proportional consolidation method for recording joint ventures. This standard is of mandatory application for years beginning on or after January 1, 2014.

- IFRS 12 – Disclosure of Interests in Other Entities: this standard establishes a new set of disclosures relating to an entity's interests in subsidiaries, joint agreements, associates and unconsolidated entities. This standard is of mandatory application for years beginning on or after January 1, 2014.

- Transition guidelines – consolidated financial statements, joint agreements and disclosures of interests in other entities: these guidelines change IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Agreements and IFRS 12 - Disclosure of interests in other entities, limiting the requirement to provide comparative information only for the preceding comparative period. In addition, changes were made to IFRS 11 and IFRS12 by eliminating the requirement to present comparative information for periods prior to the immediately preceding period. This standard is of optional application for years beginning on or after January 1, 2014.

These standards, although endorsed by the European Union, were not adopted by the BPI Group at June 30, 2013 because their application is not yet mandatory. Significant impact is not expected on the financial statements as a result of adopting these standards.

B) MAIN ACCOUNTING POLICIES:

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

2.1. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IAS 27, IAS 28, IAS 31 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 or power to manage their financial and operating policies. 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 inter-group transactions and account balances were eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the caption minority interest. When necessary, adjustments are made to the subsidiary companies' financial statements to ensure their consistency with the BPI Group's accounting policies.

Goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies as of the date of the first consolidation are recorded as assets and are subject to impairment tests. When a subsidiary company is sold, net goodwill is included in determining the gain or loss on the sale.

The financial statements of companies under joint control of the BPI Group and other entities are consolidated using the proportional method, under which the assets, liabilities, costs and income of the entities are included in the consolidated financial statements in proportion to the BPI Group's participation in their share capital.

Associated companies are recorded in accordance with the equity method of accounting. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to the BPI Group's participation.

Goodwill relating to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36 and IAS 39.

In the case of associated companies acquired in stages, goodwill is calculated at the time that the acquired company becomes an associate, being determined by the difference between the total acquisition cost of the investment and the proportion held of the fair value of the identifiable assets and liabilities of the associate as of that date. As provided for in IAS 28, total acquisition cost corresponds to the fair value of the original investment on the date that significant influence is achieved, plus the amount paid for the additional participation. In accordance with the policy established by the BPI Group, gains or losses on the revaluation to fair value of the original investment are recognised in the statement of income on the date the acquired company becomes an associate.

Following the loss of significant influence over an associated company (it is 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.

In its asset management business, the BPI Group manages assets held by investment funds, the participating units of which are owned by third parties. The financial statements of the investment funds are not included in the consolidation perimeter of the BPI Group, except when the Group has control over the investment funds, namely when it holds more than 50% of the participating units, in which case they are consolidated using the full consolidation method.

Consolidated net income is the sum of the individual net results of Banco BPI and the percentage of the net results of subsidiary and associated companies, equivalent to Banco BPI's effective participation in them, considering the period the participations are held for, after elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies were included in the consolidation after being translated to Euro at the exchange rates published by the Bank of Portugal:

- 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.

2.2. Financial assets and liabilities (IAS 32 and IAS 39)

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between equally knowledgeable, willing parties. On the date of contracting or starting an operation, fair value is generally the amount of the transaction.

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 4.48 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 embedded derivatives on financial assets and liabilities), except for those designated as hedging instruments under hedge accounting (Note 2.3.8).

Such assets and liabilities are valued daily at fair value. 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.

In the case of default, derivatives are settled in advance and recorded at their replacement value. 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 attributed or received. In accordance with this procedure, interim dividends are recorded as income in the period in which they are declared.

At the date of preparation of the financial statements, the Bank assesses the existence of objective evidence that financial assets available for sale are impaired, considering the market situation and the available information about the issuers.

In accordance with IAS 39, a financial asset available for sale is impaired and impairment losses are incurred if, and only if: (i) there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and (ii) that (those) loss event (s) has (have) an impact on the estimated future cash flows of the financial asset, that can be reliably estimated.

In accordance with IAS 39, objective evidence that a financial asset available for sale is impaired includes observable data regarding the following loss events:

- Significant financial difficulty of the issuer;
- A breach of contract by the issuer in terms of the repayment of principal or payment of interest;
- Probability of bankruptcy of the issuer;
- The disappearance of an active market for the financial asset because of financial difficulties of the issuer.

In addition to the events relating to debt instruments referred to above, the existence of objective evidence of impairment on equity instruments also takes into consideration information about the following loss events:

- Significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates indicating that the cost of the investment may not be fully recovered;
- A significant or prolonged decrease in the market value of the financial asset below its cost.

When there is objective evidence that a financial asset available for sale is impaired, the accumulated loss in the fair value revaluation reserve is removed from equity and recognised in the statement of income.

Impairment losses recorded on fixed income securities are reversed through the statement of income if there is a positive change in the fair value of the security resulting from an event which has occurred after determination of the impairment. Impairment losses on variable-yield securities cannot be reversed. In the case of securities for which impairment losses have been recognised, subsequent negative changes in fair value are always recognised in the statement of income.

Exchange differences on non-monetary assets (equity instruments) classified in the available-for-sale portfolio are recognised in the exchange difference revaluation reserve. Exchange differences on other securities are recorded in the statement of income.

Financial assets available for sale, designated as hedged assets, are valued as explained in Note 2.3.8. Hedge Accounting – derivatives and hedged instruments.

2.2.4. 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 relating to credit operations. Loans and other receivables are subsequently valued at amortised cost, using the effective interest rate method and are subject to impairment tests.

Interest income, commission, fees and other costs and income on credit operations are recognised on an accruals basis over the period of the operations, regardless of when they are received or paid. Commission received relating to credit commitments is deferred and recognised on a straight-line basis over the period of the commitment.

The Bank classifies as overdue credit, instalments of principal and interest overdue for more than 30 days. Credits under legal collection procedures include the full amount of the principal (both overdue and not yet due). Mortgage loans are considered to be under legal collection procedures when the petition to execute is delivered to the court, which is usually 180 days after the first default.

The BPI Group writes off loans on operations considered to be unrecoverable, for which provisions (in accordance with the Adjusted Accounting Standards (Normas de Contabilidade Ajustadas - NCA) established by Bank of Portugal Notice 1/2005) and impairment losses have been recorded for their full amount in the month preceding the write-off.

Gains and losses on the sale of loans to customers on a definitive basis are 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 2.2.8. Hedge Accounting - derivatives and hedged instruments.

Finance leasing (IAS 17)

Lease operations in which the Bank transfers substantially all the risks and rewards of ownership of an asset to a customer or to a third party, are reflected on the balance sheet, at the inception date, as loans granted, at the net amount paid to acquire the leased asset. Lease instalments are composed of an interest income component and a principal repayment component. The interest income component for each period reflects an effective interest rate of return on the outstanding amount of principal.

Factoring

Assets resulting from factoring operations with recourse are recorded on the balance sheet as loans granted, by the amount advanced on account under the terms of the corresponding contracts.

Assets resulting from factoring operations without recourse are recorded on the balance sheet as loans granted, by the amount of the credit taken, with a corresponding entry to the liability caption “Creditors for factoring operations”. Amounts advanced under the contracts are debited to the caption “Creditors for factoring operations”.

Invoices received under factoring contracts with recourse, in which amounts are not advanced, are recorded in the off-balance sheet caption, “Contracts with recourse – invoices not financed”, by the amount of the invoices received. The balance of this caption is reduced as the invoices are settled.

Commitments resulting from unused credit lines negotiated with customers are recorded as off-balance sheet items.

Securitised credit not derecognised

The Bank does not derecognise credits sold in securitisation operations when:

- it retains control over the operations;
- it continues to receive a substantial part of the remuneration; and,
- it retains a substantial part of the risk on the credits transferred.

Credits sold that have not been derecognised are recorded in the caption "Loans and advances to customers" and are subject to the accounting principles used for other credit operations. Interest, commission and fees relating to the securitised loan portfolio are accrued over the period of the credit operation.

Amounts received relating to securitisation operations are recorded under the caption "Financial liabilities relating to transferred assets". The respective interest, commission and fees are accrued based on the remuneration ceded by the Bank, in accordance with the expected average life of the securitisation operation at the launching date.

The risks and/or benefits maintained are represented by the bonds with the highest degree of risk, issued by the securitisation vehicle. The amount recorded in assets and liabilities represents the proportion of risk/benefit held by the Bank (continuing involvement).

Bonds issued by securitisation vehicles and held by the BPI Group entities are eliminated in the consolidation process.

Securities under repurchase and resale agreements

Securities purchased with resale agreements are not recorded in the securities portfolio. Funds paid are recorded as loans at the settlement date, while interest is accrued.

Securities sold with repurchase agreements are maintained in their original securities portfolio. Funds received are recorded in the corresponding liability caption at the settlement date, while interest is accrued.

Guarantees given and irrevocable commitments

Guarantees given and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk, while interest, commission, fees and other income are recorded in the statement of income over the period of the operations. These operations are subject to impairment tests.

Impairment

Loans, other receivables and guarantees given are subject to monthly impairment tests. Impairment losses identified are recorded by corresponding charge to the statement of income for the year. If, in subsequent periods, there is a decrease in the estimated impairment loss, the impairment loss initially recorded is reversed by credit to the statement of income.

In accordance with IAS 39 a financial asset is considered to be impaired when there is evidence that one or more loss events have occurred after initial recognition of an asset, and such events have an impact on the estimated recoverable value of the future cash flows of the financial asset considered.

IAS 39 defines some events that may be considered as objective evidence of impairment (breach of contract, such as delay in the payment of principal or interest; probability that the borrower will become bankrupt, etc.). However, in certain circumstances determination of impairment loss requires professional judgement.

Objective evidence of impairment situations is assessed as of the date of the financial statements.

Impairment assessment is made based on individual credits where they are significant in amount and on an individual or collective basis where the credits are not significant in amount.

BPI's loan portfolio is segmented as follows for purposes of determining impairment:

- Corporate Banking;
- Private individuals and small businesses;
- Specialised credit: housing loans, equipment leasing, real estate leasing, vehicle financing, consumer credit and credit cards;
- Commercial portfolio: discounts, credit with a plan, credit without a plan and overdrafts;
- Project Finance;
- Institutional Banking and the State Business Sector;
- Others.

Impairment losses relating to the Corporate Banking, Project Finance, Institutional Banking and the State Business Sector segments are determined on an individual basis whenever the credits show signs of impairment or are in default. Impairment losses relating to exposures of over 500 t. euro included in the Private individuals and small business segment are also determined on an individual basis.

Credit operations in these segments that do not show signs of impairment, as well as operations of the other segments are subject to collective assessment to determine the amount of the related impairment.

Individual assessment

In the case of assets for which there is objective evidence of impairment on an individual basis, impairment is calculated operation by operation, based on the information included in the Bank's credit risk analysis models which consider, among others, the following factors:

- Overall exposure of the customer and nature of the liabilities contracted with the Bank: financial or non-financial operations (namely, liabilities of a commercial nature or performance guarantees);
- Notation of client risk determined based on a calculation system implemented by the BPI Group. Risk notation includes, among others, the following characteristics:
    - Financial situation of the customer;
    - Risk of the business sector in which the customer operates;
    - Quality of management of the customer, measured by the experience in the relationship with the BPI Group and the existence of incidents;
    - Quality of the accounting information presented;
    - Nature and amount of the guarantees relating to the liabilities contracted with the Bank;
    - Non-performing loans for a period exceeding 30 days.

In such situations the amount of the loss is calculated based on the difference between the book value and the estimated recoverable amount of the credit, after recovery costs, discounted at the effective rate of interest during the period from the date the impairment to the expected date of recovery.

The expected recoverable amount of the credit reflects the cash flows that can result from execution of the guarantees or collateral relating to the credit granted, less costs of the recovery process.

Assets evaluated individually, for which there are no objective signs of impairment, are included in a group of assets with similar credit risks, and impairment losses are assessed collectively.

Impairment for these groups of assets is assessed as explained in the following section – Collective assessment.

Assets assessed individually, for which an impairment loss is recognised, are excluded from the collective assessment.

Collective assessment

Future cash flows of groups of credit subject to collective impairment assessment are estimated based on the past experience of losses on assets with similar credit risk characteristics.

Collective assessment involves estimating the following risk factors:

- The possibility of a performing operation or customer coming to show signs of impairment through delays arising during the emergence period (period between the occurrence of a loss event and identification of that event by the Bank).
  In accordance with IAS 39 these situations correspond to losses incurred but not reported, that is cases in which, for part of the credit portfolio, the loss event has already occurred, but the Bank has not yet identified it;
- The possibility of an operation or customer that has already had delays, going into default (situations of legal collection) during the remaining period of the operation;
- Financial loss on operations in default.

For purposes of determining the percentage of estimated loss on operations or customers in default, the Bank considers payments by customers after default, less direct costs of the recovery process. The flows considered are discounted at the interest rate of the operations and compared to the exposure at the time of default.

The inputs used for calculating collective impairment are determined based on statistical models for credit groups and revised regularly to approximate the estimated amounts to the actual amounts.

For exposures with objective evidence of impairment, the amount of the loss results from a comparison of the book value with the present value of the estimated future cash flows. The interest rate of the operations at the date of each assessment is used to calculate the present value of the future cash flows.

2.2.5. 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 2.2.8 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 2.2.8. Hedge Accounting – derivatives and hedged instruments.

Bonds issued by the Bank can be listed, or not, on the Stock Exchange.

Secondary market transactions

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own debt securities are included proportionately in the respective captions of debt issued (principal, interest, commission, fees and derivatives), and the differences between the amount liquidated and the decrease or increase in the amount of the liability are immediately recognised in the statement of income.

2.2.7. Contingent convertible subordinated bonds

Under the Recapitalisation Plan for reinforcing Core Tier 1 own funds, so as to comply with the minimum ratios defined by European Banking Authority and the Bank of Portugal, in June 2012 Banco BPI has issued financial instruments eligible as Core Tier 1 own funds (contingent convertible subordinated bonds), which were subscribed for by the Portuguese State (Notes 4.23, 4.27 and 4.50).

Considering its features, defined in Law 63 – A/2008 of November 24, re-published by Law 4/2012 of January 11 (Bank Recapitalisation Law), Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012, of the Portuguese Minister of State and Finance of June 28, 2012 and the requirements of International Financial Reporting Standards, namely IAS 32, these financial instruments were recorded by the BPI Group as financial liabilities, since:

- It has been established that the par value of these instruments bears interest, which must be paid by the Issuer in cash or in shares of the Issuer, otherwise the instruments will be converted into shares of the Issuer in accordance with Section 8 of the above mentioned Terms and Conditions;
- The instruments should be repurchased by Banco BPI from the Portuguese State up to the end of June 29, 2017, otherwise they will be converted into shares of the Issuer;
- The conversion referred to in the preceding paragraphs will be made through the delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) as defined in the Conversion Price contained in Section 1.1. of the above mentioned Terms and Conditions, the price depends on the listed / market value of the shares in the period prior to the occurrence of such event and (ii) the determination of the number of shares is based on the Conversion Price.

Contingent convertible subordinated bonds are valued at amortised cost, using the effective interest rate method.

2.2.8. Hedge accounting – derivatives and hedged instruments

The BPI Group designates as hedging instruments, derivatives contracted to hedge interest rate and foreign exchange rate risk (fair value hedge operations) on financial assets and liabilities identified individually (bond portfolio, issuance of own debt securities and loans), and on groups of operations (term deposits and fixed rate loans).

The BPI Group has formal documentation of the hedge relationship identifying, at the inception of the transaction, the instrument (or part of the instrument, or part of the risk) that is being hedged, the strategy and type of risk being hedged, the hedging derivative and the methods used to demonstrate the effectiveness of the hedge.

Monthly, the Bank tests the effectiveness of the hedge by comparing changes in the fair value of the hedged instrument, attributable to the hedged risk, with changes in the fair value of the hedging derivative, the relationship between them being within the range of 80% to 125%.

Hedging derivative instruments are recorded at fair value and the gains and losses resulting from their revaluation are recognised in the statement of income. Gains and losses resulting from changes in the fair value of hedged financial assets or liabilities, attributable to the hedged risk, are also recognised in the statement of income, by corresponding entry to the book value of the hedged asset or liability in the case of operations at amortised cost (loans, deposits and debt issued) or to the fair value revaluation reserve in case of financial assets available for sale (bonds portfolio).

A hedged asset or liability may have only one part or one component of its fair value hedged (interest rate risk, foreign exchange rate risk or credit risk), provided that the effectiveness of the hedge can be measured separately.

When using hedge accounting, the Bank does not value the commercial spreads of the hedged assets or liabilities.

If the hedging relationship ceases to exist as a result of the relationship between the fair value changes of the derivatives and the hedged instruments being outside the 80% to 125% range, the derivatives are reclassified to trading instruments and the amount of the revaluation of the hedged instrument is recognised in the statement of income for the remaining period of the operation.

Hedging effectiveness tests are duly documented on a monthly basis, thus ensuring the existence of evidence during the period of the operation.

2.2.9. Foreign currency financial assets and liabilities

Foreign currency financial assets and liabilities are recorded in conformity with the multi-currency system that is in their original currencies.

Foreign currency assets and liabilities are translated to Euro at the official market rates published by the Bank of Portugal.

Foreign currency income and expenses are translated to Euro at the exchange rates in force on the dates they are recognised.

2.3. 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. Tangible assets available for sale

Assets (property, equipment and other assets) received as settlement of loan operations 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 amount stated in the settlement agreement, which is the lower of the amount of the outstanding debt or the appraised value as of the date of the agreement. 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.

Unrealised gains on other assets are not recognised on the balance sheet.

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)

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) for the Portuguese Banking Sector 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 a collective labour regulations in force for the banking sector (Pilar 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 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 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 must be equal to the amount of the liabilities undertaken 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.

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 the abrupt reduction of 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, on June 30, 2013 and December 31, 2012 Banco BPI incorporated in its determination, information on interest rates that can be obtained on bonds of the Eurozone universe and that it considers to be of high quality in terms of credit risk. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of June 30 and December 31 of each year. In 2012 the BPI Group changed the actuarial assumptions as of December 31. At June 30, 2013, the BPI Group did not change the actuarial assumptions because it considers that the assumptions as of December 31, 2012 are still applicable considering the current market conditions and expectations at the balance sheet date. The adjustment of these assumptions is reflected prospectively in pension costs and in the determination of actuarial deviations. 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 establishment of a transitory period to fund the increase in the liability resulting from application of IAS 19 at December 31, 2004. This increase in the liability could have been financed through the application of an amortisation plan of uniform instalments up to December 31, 2009, except for the part concerning the liability for post-employment medical care and changes in actuarial assumptions relating to the mortality table for which the funding plan could have been up to December 31, 2011;
- at December 31, 2005 the Bank opted to fund the full amount of the liability for retirement pensions of its employees and so did not apply the uniform amortisation plan allowed by the Bank of Portugal.

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.

At the transition date, 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).

2.7. Long service premiums (IAS 19)

Under the Collective Labour Agreement (Acordo Colectivo de Trabalho) for the banking sector there is a commitment to pay employees a long service premium in the month in which they reach 15, 25 and 30 years of good and effective service in the banking sector, corresponding, respectively, to one, two and three months of their effective monthly remuneration (in the year the premium is attributed).

In December 2012, Banco BPI made an advanced payment of the proportional part of the long service premium for the anniversary in progress, relating to the 15, 25 and 30 years of banking service, corresponding to the period of good and effective service in the banking sector at December 31, 2012.

In subsequent years, the BPI Group will continue to follow the requirements of the Collective Labour Agreement for the banking sector as regards the long service premium, so that it pays the long service premium in the years in which the employees complete 15, 25 and 30 years of good and effective service in the banking sector, less the amounts already paid at December 31, 2012.

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption "Other liabilities".

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost;
- gain and loss resulting from changes in the conditions of the benefits.

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 (Remuneração Variável em Acções - RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro), it is partly made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to Employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolutive condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which terminates on a gradual basis over the three years following the grant date (25% each year). The share purchase options may be exercised between the 90th day and the fifth year as from the grant date. Termination of the employment relationship between the Employee and BPI Group also affects the options granted, in accordance with RVA Regulations.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those previously referred for Employees. As from RVA 2010, the shares and share options granted to Executive Directors under the RVA program are 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. The granting of shares is also subject to the suspensive condition of non termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspensive term of three years as from the grant date and the strike period for the share options begins after that period.

As set forth in the Recapitalisation Plan (Notes 4.23, 4.27 and 4.50), during the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

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 suspensive 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.

Banco BPI and its subsidiary and associated companies with head offices in Portugal are subject to the tax regimes established in the Corporate Income Tax Code (Portuguese initials - CIRC) and in the Statute of Tax Benefits.

The Madeira and Santa Maria Off-shore Financial Branches of Banco BPI were exempt from corporate income tax up to December 31, 2011, in accordance with article 33 of the Statute of Tax Benefits. Under the provisions of article 34 of the Statute, for the purpose of applying this exemption, at least 85% of the taxable income of Banco BPI's global operations was considered to result from activities outside the institutional scope of the Madeira and Santa Maria Free Trade Zones. This regime came into force on January 1, 2003. As from January 1, 2012 Banco BPI's total net income became subject to the general Corporation Income Tax regime.

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 record deferred tax assets and liabilities on temporary deductible or taxable differences relating to investments in subsidiary and associated companies, as these differences are not expected to revert in the foreseeable future, except for the following:

- deferred tax liabilities relating to the estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the next year out of net income for the year, are recognised;
- deferred tax liabilities relating to all distributable net income of Banco Comercial e de Investimentos are recognised.

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 Corporate Income Tax Code, which provides for the elimination of double taxation of net income distributed.

2.13. Preference shares (IAS 32 and IAS 39)

Preference shares are classified as equity instruments when:

- There is no contractual obligation for the BPI Group to redeem the preference shares acquired by a holder (in cash or in another financial asset);
- Remission or early redemption of the preference shares can only be made at the option of the BPI Group;
- Dividends distributed by the BPI Group to the preference shareholders are discretionary.

The BPI Group classified the preference shares issued by BPI Capital Finance Ltd. as equity instruments. The payment of dividends and redemption of the shares are guaranteed by Banco BPI.

The preference shares classified as equity instruments, held by third parties, are presented in the consolidated financial statements in the caption “Minority interests”.

Realized gain and loss on the repurchase and sale of preference shares classified as equity instruments, as well as the corresponding tax effect, are recorded directly in shareholders’ equity, not affecting net result for the year.

2.14. Insurance and reinsurance brokerage services

Banco BPI is duly authorized by the Portuguese Insurance Institute (Instituto de Seguros de Portugal) to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of 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 the 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 refer 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 recognised on an accruals basis. Fees received in a different period from that to which they relate are recorded as receivables in the caption “Other assets” by corresponding entry to “Commissions received - for insurance brokerage services”.

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by Banco BPI, from those already disclosed.

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 environment of the financial markets, 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: consist of banking services provided to domestic customers, including members of emigrant communities and subsidiaries of Portuguese companies, and include:
    - 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 Dealer – Sociedade Financeira de Corretagem, S.A.R.L. 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 – Retail banking includes commercial operations with private clients, businesses and sole traders with turnover of up to 2.5 million euro through a multi-channel distribution network made up of commercial branches, investment centres, home banking services (BPI Net), telephone banking (BPI Directo), specialised branches and a network of external promoters.
- Corporate banking – Corporate banking includes commercial operations with private, public and municipal companies and public sector organisations (including the Central and Local Administration), as well as Foundations and Associations. Corporate banking also includes Project Finance and Public-Private Partnership operations in the commercial promotion area, structuring and organising financial operations and consultancy services relating to this area.

Investment banking

Investment banking covers the following business areas:

- Brokerage – includes brokerage (purchase and sale of securities) on account of customers;
- Private Banking – Private Banking is responsible for implementing strategies and investment proposals presented to customers and managing all or part of their financial assets under management mandates given to the Bank. In addition, Private Banking provides asset management, tax information and business consulting services.
- 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.

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, 2013 and investments made 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	Others	Total	Inter segment operations	BPI Group
ASSETS										
Cash and deposits at Central Banks	249 299	175			249 474	1007 836		1007 836		1257 310
Loans and advances to other credit institutions repayable on demand	373 457	70 919	4 112	(138 901)	309 587	25 610	10	25 620	(12 645)	322 562
Financial assets held for trading and at fair value through profit or loss	885 890	130 421		(23 886)	992 425	108 104	61	108 165		1100 590
Financial assets available for sale	7 838 554	23 695	51759	1647	7 915 655	1582 433		1582 433		9 498 088
Loans and advances to credit institutions	1481666	1584 357	2 894	(2 003 475)	1065 442	2 135 005	1379	2 136 384	(1323 636)	1878 190
Loans and advances to customers	25 700 574	200 195		(21412)	25 879 357	1135 009		1135 009		27 014 366
Held to maturity investments	274 824	18 967		(40 762)	253 029					253 029
Hedging derivatives	208 887	260		(3 189)	205 958					205 958
Other tangible assets	71278	1576	1		72 855	132 176	509	132 685		205 540
Intangible assets	11718	53			11771	2 542	1	2 543		14 314
Investment in associated companies and jointly controlled entities	86 994		80 861		167 855		41326	41326		209 181
Tax assets	540 951	4 079	(2 010)		543 020	2 742	77	2 819		545 839
Other assets	756 444	29 857	163	(111789)	674 675	39 630	196	39 826	(52 069)	662 432
TOTAL ASSETS	**38 480 536**	**2 064 554**	**137 780**	**(2 341 767)**	**38 341 103**	**6 171 087**	**43 559**	**6 214 646**	**(1 388 350)**	**43 167 399**
LIABILITIES										
Resources of central banks	4 132 763				4 132 763					4 132 763
Financial liabilities held for trading	264 497	19 324		(23 353)	260 468	309		309		260 777
Resources of other credit institutions	4 812 485	13 640	30 840	(1677 390)	3 179 575	40 524	181	40 705	(1336 281)	1883 999
Resources of customers and other debts	18 726 256	1716 261		(488 657)	19 953 860	5 425 094		5 425 094		25 378 954
Debt securities	2 930 367			(45 837)	2 884 530					2 884 530
Financial liabilities relating to transferred assets	1477 959				1477 959					1477 959
Hedging derivatives	617 874	(3)		(1399)	616 472					616 472
Provisions	104 761	212			104 973	24 694		24 694		129 667
Technical provisions	2 200 368	151854			2 352 222					2 352 222
Tax liabilities	55 481	2 989	(1450)		57 020	2 499	2 757	5 256		62 276
Contingent convertible subordinated bonds	1041633				1041633					1041633
Other subordinated debt and participating bonds	206 249	3 878		(65 777)	144 350					144 350
Other liabilities	503 714	70 743	2 317	(39 354)	537 420	121411	4 734	126 145	(52 069)	611496
TOTAL LIABILITIES	**37 074 407**	**1978 898**	**31707**	**(2 341 767)**	**36 743 245**	**5 614 531**	**7 672**	**5 622 203**	**(1 388 350)**	**40 977 098**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1354 971	76 138	106 073		1537 182	277 588	35 888	313 476		1850 658
Minority interest	51157	9 517			60 674	278 969		278 969		339 643
TOTAL SHAREHOLDERS' EQUITY	**1 406 128**	**85 655**	**106 073**		**1 597 856**	**556 557**	**35 888**	**592 445**		**2 190 301**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**38 480 535**	**2 064 553**	**137 780**	**(2 341 767)**	**38 341 101**	**6 171 088**	**43 560**	**6 214 648**	**(1 388 350)**	**43 167 399**
Investments made in:										
Property	54				54	515		515		569
Equipment and other tangible assets	540	20			560	8 071	81	8 152		8 712
Intangible assets	1699	17			1716	1070		1070		2 786

The BPI Group’s income statement for the half-year ended June 30, 2013, 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	Others	Total		
Financial margin (narrow sense)	**129 234**	**714**	**(707)**		**129 241**	**90 090**	**(140)**	**89 950**		**219 191**
Gross margin on unit links	402	990			1392					1392
Income from equity instruments	1251	84	1845		3 180					3 180
Net commission relating to amortised cost	12 561				12 561	278		278		12 839
Financial margin	**143 448**	**1 788**	**1 138**		**146 374**	**90 368**	**(140)**	**90 228**		**236 602**
Technical result of insurance contracts	11 115	132			11 247					11 247
Commission received	130 287	21438		(13 561)	138 164	16 876	90	16 966	(625)	154 505
Commission paid	(25 419)	(5 505)	(7)	13 561	(17 370)	(3 606)		(3 606)	625	(20 351)
Other income, net	9 175	43			9 218	13 752		13 752		22 970
Net commission income	**114 043**	**15 976**	**(7)**		**130 012**	**27 022**	**90**	**27 112**		**157 124**
Gain and loss on operations at fair value	12 681	3 491			16 172	40 971		40 971		57 143
Gain and loss on assets available for sale	129 076				129 076					129 076
Interest and financial gain and loss with pensions	2 051	33			2 084					2 084
Net income on financial operations	**143 808**	**3 524**			**147 332**	**40 971**		**40 971**		**188 303**
Operating income	4 781	6			4 787	368	11	379		5 166
Operating expenses	(10 649)	(1014)			(11663)	(303)	(1)	(304)		(11967)
Other taxes	(1850)	(321)			(2 171)	(628)	(12)	(640)		(2 811)
Net operating expenses	**(7 718)**	**(1 329)**			**(9 047)**	**(563)**	**(2)**	**(565)**		**(9 612)**
Operating income from banking activity	**404 696**	**20 091**	**1 131**		**425 918**	**157 798**	**(52)**	**157 746**		**583 664**
Personnel costs	(140 966)	(10 292)	(84)		(151342)	(32 278)	(934)	(33 212)		(184 554)
General administrative costs	(85 567)	(5 933)	(14)		(91514)	(27 732)	(287)	(28 019)		(119 533)
Depreciation and amortisation	(8 746)	(643)			(9 389)	(6 446)	(64)	(6 510)		(15 899)
Overhead costs	**(235 279)**	**(16 868)**	**(98)**		**(252 245)**	**(66 456)**	**(1 285)**	**(67 741)**		**(319 986)**
Recovery of loans, interest and expenses	9 089				9 089	1279		1279		10 368
Impairment losses and provisions for loans and guarantees, net	(144 408)	(542)			(144 950)	(5 632)		(5 632)		(150 582)
Impairment losses and other provisions, net	(9 187)	(8)	162		(9 033)	(1527)		(1527)		(10 560)
Net income before income tax	**24 911**	**2 673**	**1 195**		**28 779**	**85 462**	**(1 337)**	**84 125**		**112 904**
Income tax	(11921)	(1508)	(254)		(13 683)	(11235)	(364)	(11599)		(25 282)
Earnings of associated companies (equity method)	4 801		1123		5 924		4 267	4 267		10 191
Global consolidated net income	**17 791**	**1 165**	**2 064**		**21 020**	**74 227**	**2 566**	**76 793**		**97 813**
Income attributable to minority interest	(468)	(144)			(612)	(38 286)		(38 286)		(38 898)
Consolidated net income of the BPI Group	**17 323**	**1 021**	**2 064**		**20 408**	**35 941**	**2 566**	**38 507**		**58 915**
Cash flow after taxes	179 664	2 214	1902		183 780	49 546	2 630	52 176		235 956

The BPI Group’s balance sheet as of December 31, 2012 and investments made in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	**Total**	Angola	Others	**Total**	Inter segment operations	**BPI Group**
ASSETS										
Cash and deposits at Central Banks	233 053	165			233 218	1036 147		1036 147		1269 365
Loans and advances to other credit institutions repayable on dema	518 207	77 887	4 703	(222 421)	378 376	94 472	7	94 479	(19 417)	453 438
Financial assets held for trading and at fair value through profit or loss	862 043	127 621		(31832)	957 832	153 753	61	153 814		1111646
Financial assets available for sale	8 306 461	37 383	47 517	1861	8 393 222	1859 660		1859 660		10 252 882
Loans and advances to credit institutions	2 129 309	2 116 581	2 894	(3 057 305)	1191479	1622 650	637	1623 287	(1104 039)	1710 727
Loans and advances to customers	26 137 119	147 839		(21794)	26 263 164	1082 309		1082 309		27 345 473
Held to maturity investments	443 280	30 289		(28 271)	445 298					445 298
Hedging derivatives	284 304	389		(3 956)	280 737					280 737
Other tangible assets	78 782	1713	1		80 496	129 675	518	130 193		210 689
Intangible assets	11835	50			11885	2 129	3	2 132		14 017
Investment in associated companies and jointly controlled entities	80 653		82 711		163 364		38 891	38 891		202 255
Tax assets	614 509	4 091	(1007)		617 593	10	89	99		617 692
Other assets	714 510	32 088	383	(104 519)	642 462	26 660	194	26 854	(18 954)	650 362
TOTAL ASSETS	**40 414 065**	**2 576 096**	**137 202**	**(3 468 237)**	**39 659 126**	**6 007 465**	**40 400**	**6 047 865**	**(1 142 410)**	**44 564 581**
LIABILITIES										
Resources of central banks	4 270 918				4 270 918					4 270 918
Financial liabilities held for trading	341601	28 017		(29 454)	340 164					340 164
Resources of other credit institutions	5 846 931	34 006	25 240	(2 215 307)	3 690 870	96	911	1007	(1123 456)	2 568 421
Resources of customers and other debts	18 162 190	2 229 409		(1084 609)	19 306 990	5 314 149		5 314 149		24 621 139
Debt securities	3 823 024	12		(35 409)	3 787 627					3 787 627
Financial liabilities relating to transferred assets	1591811			(827)	1590 984					1590 984
Hedging derivatives	815 880			(897)	814 983					814 983
Provisions	104 455	215			104 670	33 728		33 728		138 398
Technical provisions	2 111 112	144 252			2 255 364					2 255 364
Tax liabilities	108 521	4 778	(1219)		112 080	8 035	61	8 096		120 176
Other subordinated debt and participating bonds	218 248	3 842		(65 759)	156 331					156 331
Other liabilities	570 650	46 988	3 432	(35 975)	585 095	70 957	2 055	73 012	(18 954)	639 153
TOTAL LIABILITIES	**39 165 620**	**2 491 519**	**27 453**	**(3 468 237)**	**38 216 355**	**5 426 965**	**3 027**	**5 429 992**	**(1 142 410)**	**42 503 937**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1197 301	76 698	109 749		1383 748	286 821	37 413	324 234		1707 982
Minority interest	51144	7 879			59 023	293 679	(40)	293 639		352 662
TOTAL SHAREHOLDERS' EQUITY	**1 248 445**	**84 577**	**109 749**		**1 442 771**	**580 500**	**37 373**	**617 873**		**2 060 644**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**40 414 065**	**2 576 096**	**137 202**	**(3 468 237)**	**39 659 126**	**6 007 465**	**40 400**	**6 047 865**	**(1 142 410)**	**44 564 581**
Investments made in:										
Property	7				7	9 279	94	9 373		9 380
Equipment and other tangible assets	3 607	127			3 734	15 737	270	16 007		19 741
Intangible assets	4 809	6			4 815	1378		1378		6 193

The BPI Group's income statement for the half-year ended June 30, 2012, 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	Others	Total		
Financial margin (narrow sense)	**181 644**	**322**	**(1 250)**		**180 716**	**94 074**	**(10)**	**94 064**		**274 780**
Gross margin on unit links	430	972			1 402					1 402
Income from equity instruments	1 191	100	1 745		3 036					3 036
Net commission relating to amortised cost	12 840				12 840					12 840
Financial margin	**196 105**	**1 394**	**495**		**197 994**	**94 074**	**(10)**	**94 064**		**292 058**
Technical result of insurance contracts	12 106	144			12 250					12 250
Commission received	138 010	17 327		(12 050)	143 287	14 433	31	14 464	(625)	157 126
Commission paid	(27 284)	(4 366)	(1)	12 050	(19 601)	(2 816)		(2 816)	625	(21 792)
Other income, net	9 272	49			9 321	12 197		12 197		21 518
Net commission income	**119 998**	**13 010**	**(1)**		**133 007**	**23 814**	**31**	**23 845**		**156 852**
Gain and loss on operations at fair value	125 641	1 833	1		127 475	32 270		32 270		159 745
Gain and loss on assets available for sale	17 390	10	499		17 899					17 899
Interest and financial gain and loss with pensions	369	71	1		441					441
Net income on financial operations	**143 400**	**1 914**	**501**		**145 815**	**32 270**		**32 270**		**178 085**
Operating income	3 070	161			3 231	377	19	396		3 627
Operating expenses	(7 285)	(188)	(2)		(7 475)	(143)		(143)		(7 618)
Other taxes	(1 874)	(339)			(2 213)	(175)		(175)		(2 388)
Net operating expenses	**(6 089)**	**(366)**	**(2)**		**(6 457)**	**59**	**19**	**78**		**(6 379)**
Operating income from banking activity	**465 520**	**16 096**	**993**		**482 609**	**150 217**	**40**	**150 257**		**632 866**
Personnel costs	(138 839)	(9 473)	(87)		(148 399)	(30 582)	(494)	(31 076)		(179 475)
General administrative costs	(86 577)	(5 335)	(22)		(91 934)	(27 323)	(215)	(27 538)		(119 472)
Depreciation and amortisation	(9 946)	(686)			(10 632)	(6 252)	(43)	(6 295)		(16 927)
Overhead costs	**(235 362)**	**(15 494)**	**(109)**		**(250 965)**	**(64 157)**	**(752)**	**(64 909)**		**(315 874)**
Recovery of loans, interest and expenses	6 421				6 421	1 264		1 264		7 685
Impairment losses and provisions for loans and guarantees, net	(138 995)	(447)			(139 442)	(7 015)		(7 015)		(146 457)
Impairment losses and other provisions, net	(32 380)	(35)	(562)		(32 977)	(1 536)		(1 536)		(34 513)
Net income before income tax	**65 204**	**120**	**322**		**65 646**	**78 773**	**(712)**	**78 061**		**143 707**
Income tax	(24 099)	(281)	(91)		(24 471)	(2 565)	(339)	(2 904)		(27 375)
Earnings of associated companies (equity method)	1 900	69	2 786		4 755		3 988	3 988		8 743
Global consolidated net income	**43 005**	**(92)**	**3 017**		**45 930**	**76 208**	**2 937**	**79 145**		**125 075**
Income attributable to minority interest	(704)	(12)			(716)	(39 308)	2	(39 306)		(40 022)
Consolidated net income of the BPI Group	**42 301**	**(104)**	**3 017**		**45 214**	**36 900**	**2 939**	**39 839**		**85 053**
Cash flow after taxes	223 622	1 064	3 579		228 265	51 703	2 982	54 685		282 950

4. NOTES

4.1. Cash and deposits at Central Banks

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Cash	296 642	367 092
Demand deposits at the Bank of Portugal	73 343	19 367
Demand deposits at foreign Central Banks	887 209	882 821
Accrued interest	116	85
	1 257 310	**1 269 365**

The caption "Demand deposits at the Bank of Portugal" includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. These deposits bear interest and correspond to 1% of the amount of customers' deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum reserve system and liabilities to the ECB and national central banks that participate in the euro.

The caption "Demand deposits at foreign Central Banks" includes deposits made by Banco de Fomento Angola in Banco Nacional de Angola (BNA) to comply with Angola's requirements for the maintenance of minimum cash reserves. These deposits do not bear interest. Compulsory cash reserves are currently calculated under the terms of BNA Instruction 2 / 2011 of 28 April and must be held in kwanzas and other currencies, depending on the currency of the liabilities which serve as a base for determining the amount, and must be maintained during the period they refer to. At June 30, 2013 and December 31, 2012, the requirement to maintain compulsory cash reserves was calculated by application of a 20% rate to the mathematical average of the eligible liabilities in kwanzas and 15% rate to mathematical average of the eligible liabilities in other currencies.

4.2. Deposits at other Credit Institutions

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Domestic Credit Institutions		
Demand deposits	2 763	3 684
Cheques for collection	64 590	77 607
Other	568	994
Foreign Credit Institutions		
Demand deposits	245 992	366 594
Cheques for collection	8 648	4 558
Accrued interest	1	1
	322 562	**453 438**

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.

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

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Financial assets held for trading		
Debt Instruments		
Bonds issued by Portuguese government entities	7 549	3 712
Bonds issued by foreign government entities	107 571	153 801
Bonds issued by other Portuguese entities		
Non-subordinated debt	4 368	4 833
Bonds issued by other foreign entities		
Non-subordinated debt	5 350	3 970
Subordinated debt		189
	124 838	**166 505**
Equity instruments		
Shares issued by Portuguese entities	106 338	108 913
Shares issued by foreign entities	60 379	58 944
	166 717	**167 857**
Other securities		
Participating units issued by Portuguese entities	151	152
Participating units issued by foreign entities	85	85
	236	**237**
	291 791	**334 599**
Financial assets at fair value through profit or loss		
Debt Instruments		
Bonds issued by Portuguese government entities	111 404	119 435
Bonds issued by foreign government entities	116 800	89 164
Bonds issued by other Portuguese entities		
Non-subordinated debt	72 796	19 015
Bonds issued by foreign financial entities		744
Bonds issued by other foreign entities		
Non-subordinated debt	46 732	51 298
Subordinated debt	1 831	1 685
	349 563	**281 341**
Equity instruments		
Shares issued by Portuguese entities	693	489
Shares issued by foreign entities	24 158	21 993
	24 851	**22 482**
Other securities		
Participating units issued by Portuguese entities	12 529	12 426
Participating units issued by foreign entities	160 053	131 771
	172 582	**144 197**
	546 996	**448 020**
Derivative instruments with positive fair value (Note 4.4)	**261 803**	**329 027**
	1 100 590	**1 111 646**

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

	Jun. 30, 13	Dec. 31, 12
Debt Instruments		
Of public entities	228 204	208 599
Other entities	121 358	72 742
Equity Instruments	8 027	6 186
Other securities	172 582	144 197
Derivative instruments with positive fair value	5	286
	530 176	**432 010**

In 2008 and 2009 and in the first half of 2012, the BPI Group reclassified bonds from Financial assets held for trading to Financial assets available for sale (Note 4.5), Loans and advances to customers (Note 4.7) and Held to maturity investments (Note 4.8), under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48). The reclassifications made up to October 31, 2008 were based on prices at July 1, 2008 and the reclassifications made after that date were made based on prices at the reclassification date.

4.4. Derivatives

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

	Jun. 30, 13			Dec. 31, 12		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	239 448			239 448		
Exchange forwards and swaps	2 303 825	599	339	1 816 008	1 172	112
Interest rate contracts						
Futures	85 548	7	2	184 067	29	113
Options	540 404	4 075	4 323	594 164	5 333	5 545
Swaps	6 745 998	219 155	225 617	7 527 215	285 208	286 338
Contracts over shares						
Futures	29 215	499	4	33 924	15	55
Swaps	277 452	6 714	467	221 830	2 837	13 367
Options	31 235	727	109	177 680	1 124	253
Contracts over other underlying items						
Futures	201 954			185 687		
Others						
Options[2]	784 257	29 011	29 515	1 198 581	32 415	33 210
Others[3]	2 032 557		304	2 157 136		938
Overdue derivatives		1 016			894	
	13 271 893	**261 803**	**260 680**	**14 335 740**	**329 027**	**339 931**

[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, 13			Dec. 31, 12		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	42 235	248		137 358	350	248
Swaps	16 184 839	176 404	583 027	15 467 042	244 327	778 369
Contracts over shares						
Swaps	230 414	868	5 222	298 384	764	4 370
Contracts over credit events						
Swaps	15 164	61	37	15 164	33	1
Contracts over other underlying items						
Swaps	23 127	647	456	32 786	3 808	540
Others						
Options[2]	594 418	27 730	27 730	622 712	31 455	31 455
	17 090 197	**205 958**	**616 472**	**16 573 446**	**280 737**	**814 983**

[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".

The BPI Group's operations include carrying out derivative transactions to manage its own positions based on expectations regarding market evolution, 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 to inflation, shares, among others) 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 4.48 includes details of valuation methods used to determine the fair value of derivative financial instruments.

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, if positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group’s operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces credit risk. Additionally, in order to control credit risk in 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, 2013 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	**2 276 125**	**19 010**	**8 690**			**2 303 825**
Forwards	98 209	18 169	2 369			118 747
Swaps	2 177 916	841	6 321			2 185 078
Interest rate contracts	**2 401 129**	**1 641 720**	**2 455 834**	**11 299 658**	**5 672 900**	**23 471 241**
Swaps	2 355 630	1 617 025	2 399 872	10 906 767	5 651 543	22 930 837
Options	45 499	24 695	55 962	392 891	21 357	540 404
Contracts over indexes and shares	**277 452**	**49 322**	**23 424**	**188 903**		**539 101**
Swaps	277 452	49 322	23 424	157 668		507 866
Options				31 235		31 235
Contracts over credit events		**5 924**	**9 240**			**15 164**
Swaps		5 924	9 240			15 164
Contracts over other underlying items	**10 369**			**12 758**		**23 127**
Swaps	10 369			12 758		23 127
Others	**24 174**	**115 557**	**208 066**	**2 754 329**	**309 106**	**3 411 232**
Options	24 174	115 557	208 066	721 772	309 106	1 378 675
Others				2 032 557		2 032 557
	4 989 249	**1 831 533**	**2 705 254**	**14 255 648**	**5 982 006**	**29 763 690**
Organized markets						
Exchange rate contracts	**239 448**					**239 448**
Futures	239 448					239 448
Interest rate contracts	**113 783**	**5 000**		**9 000**		**127 783**
Futures	113 783	5 000		9 000		127 783
Contracts over indexes and shares	**29 215**					**29 215**
Futures	29 215					29 215
Contracts over other underlying items	**199 130**	**2 824**				**201 954**
Futures	199 130	2 824				201 954
	581 576	**7 824**		**9 000**		**598 400**
	5 570 825	**1 839 357**	**2 705 254**	**14 264 648**	**5 982 006**	**30 362 090**

At December 31, 2012 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	**1 787 487**	**17 019**	**11 502**			**1 816 008**
Forwards	118 276	10 403	6 264			134 943
Swaps	1 669 211	6 616	5 238			1 681 065
Interest rate contracts	**1 967 935**	**1 789 663**	**4 166 741**	**9 847 797**	**5 816 285**	**23 588 421**
Swaps	1 943 094	1 742 958	4 106 245	9 408 144	5 793 816	22 994 257
Options	24 841	46 705	60 496	439 653	22 469	594 164
Contracts over indexes and shares	**376 185**	**64 868**	**79 694**	**177 022**	**125**	**697 894**
Swaps	257 431	37 753	79 694	145 336		520 214
Options	118 754	27 115		31 686	125	177 680
Contracts over credit events		**5 924**	**9 240**			**15 164**
Swaps		5 924	9 240			15 164
Contracts over other underlying items	**2 947**	**6 712**	**10 369**	**12 758**		**32 786**
Swaps	2 947	6 712	10 369	12 758		32 786
Others	**231 293**	**191 277**	**242 391**	**2 985 026**	**328 442**	**3 978 429**
Options	231 293	191 277	190 059	880 222	328 442	1 821 293
Others			52 332	2 104 804		2 157 136
	4 365 847	**2 075 463**	**4 519 937**	**13 022 603**	**6 144 852**	**30 128 702**
Organized markets						
Exchange rate contracts	**239 448**					**239 448**
Futures	239 448					239 448
Interest rate contracts	**58 425**	**83 000**	**121 000**	**59 000**		**321 425**
Futures	58 425	83 000	121 000	59 000		321 425
Contracts over indexes and shares	**33 924**					**33 924**
Futures	33 924					33 924
Contracts over other underlying items	**95 008**	**63 893**	**26 786**			**185 687**
Futures	95 008	63 893	26 786			185 687
	426 805	**146 893**	**147 786**	**59 000**		**780 484**
	4 792 652	**2 222 356**	**4 667 723**	**13 081 603**	**6 144 852**	**30 909 186**

At June 30, 2013 the distribution of derivative operations, by counterparty, was as follows:

	Jun. 30, 13		
	Notional value[1]	Net exposure[2]	% of Notional value
Over-the-counter market	**26 352 458**	**225 232**	**97.8%**
OTC with Financial Institutions	22 669 417	6 638	84.1%
OTC with other Financial Intermediaries	1 480 249	397	5.5%
OTC with Local and Administrative Public Sector	14 015	583	0.1%
OTC with Companies	2 088 392	216 334	7.7%
OTC with Investment/Pension funds	77 806		0.3%
OTC with Individuals	22 580	1 281	0.1%
Regulated markets	**598 400**		**2.2%**
Stock exchange	598 400		2.2%
	26 950 858	**225 232**	**100.0%**

[1] Does not include embedded derivatives and other options in the amount of 3 411 232 t.euro.

[2] Amount of exposure considering netting agreements and collaterals.

At December 31, 2012 the distribution of derivative operations, by counterparty, was as follows:

	Dec. 31, 12		
	Notional value[1]	Net exposure[2]	% of Notional value
Over-the-counter market	**26 150 273**	**282 436**	**97.1%**
OTC with Financial Institutions	22 074 952	5 700	82.0%
OTC with other Financial Intermediaries	1 666 716	2 177	6.2%
OTC with Local and Administrative Public Sector	15 342	784	0.1%
OTC with Companies	2 280 410	271 347	8.5%
OTC with Investment/Pension funds	85 752		0.3%
OTC with Individuals	27 101	2 428	0.1%
Regulated markets	**780 484**		**2.9%**
Stock exchange	780 484		2.9%
	26 930 757	**282 436**	**100.0%**

[1] Does not include embedded derivatives and other options in the amount of 3 978 429 t. euro.

[2] Amount of exposure considering netting agreements and collaterals.

At June 30, 2013 the distribution of derivative operations, by counterparty external rating, was as follows:

	Jun. 30, 13			
	Notional Value[1]	Gross exposure [2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	801 568	12 316	9 311	113
A+	1 150 686	2 844		
A	8 490 092	117 335	60 856	2 704
A-	3 204 787	37 221	1 635	922
BBB+	96 597	750	16	16
BBB	641 464	8 796	2 290	607
BBB-	7 869 898	40 565	11 138	2 025
BB+	80 800	8 451	5 398	
BB-	31 020	1 060	1 060	60
B+	7 500	190	190	190
N.R.	3 978 046	220 573	218 594	218 594
	26 352 458	**450 103**	**310 488**	**225 232**
Traded on the stock exchange				
Futures[5]	598 400			
	598 400			
	26 950 858	**450 103**	**310 488**	**225 232**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 3 411 232 t. euro.

[2] Amount of exposure without considering netting agreements and collateral.

[3] Amount of exposure without considering collateral.

[4] Amount of exposure considering netting agreements and collateral.

[5] The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

At December 31, 2012 the distribution of derivative operations, by counterparty external rating, was as follows:

	Dec. 31, 12			
	Notional Value[1]	Gross exposure [2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	803 469	13 504	9 416	
A+	1 508 790	6 471		
A	6 839 660	155 578	90 467	888
A-	3 711 010	44 079	3 843	1 190
BBB+	41 083	777	471	46
BBB	910 400	13 928	2 242	1 922
BBB-	8 076 588	48 686	9 580	450
BB+	68 088	10 273	6 641	471
BB-	28 168	1 330	1 330	330
B+	7 500	403	403	403
N.R.	4 155 517	281 607	278 488	276 736
	26 150 273	**576 635**	**402 881**	**282 436**
Traded on the stock exchange				
Futures[5]	780 484			
	780 484			
	26 930 757	**576 635**	**402 881**	**282 436**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 3 978 429 t. euro.

[2] Amount of exposure without considering netting agreements and collateral.

[3] Amount of exposure without considering collateral.

[4] Amount of exposure considering netting agreements and collateral.

[5] The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

4.5. Financial assets available for sale

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Debt instruments		
Bonds issued by Portuguese government entities	5 195 628	5 493 710
Bonds issued by foreign government entities	2 960 691	3 249 288
Bonds issued by other Portuguese entities		
Non-subordinated debt	72 989	79 826
Bonds issued by other foreign entities		
Non-subordinated debt	147 219	303 848
Subordinated debt	726 449	753 087
Impairment		(1 501)
	9 102 976	**9 878 258**
Equity instruments		
Shares issued by Portuguese entities	70 402	59 063
Impairment	(27 945)	(27 933)
Quotas	44 081	46 335
Shares issued by foreign entities	37 033	36 180
Impairment	(18 117)	(18 156)
	105 454	**95 489**
Other securities		
Participating units issued by Portuguese entities	301 521	289 922
Impairment	(15 883)	(15 068)
Participating units issued by foreign entities	2 282	1 535
	287 920	**276 389**
Loans and other receivables	21 910	22 722
Impairment	(20 172)	(19 976)
	1 738	**2 746**
Overdue bonds	2 122	1 087
Impairment on overdue bonds	(2 122)	(1 087)
	9 498 088	**10 252 882**

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 the first half of 2013 the BPI Group reclassified a bond from Financial assets available for sale to Loans and advances to customers (Note 4.7), under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48). The reclassification was made based on the price at the date of reclassification.

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.

On February 21, 2012 the terms of the agreement on the private sector involvement in the restructuring of the Greek Government debt were announced, resulting in the exchange of the securities held by the BPI Group and recorded in the loans to customers portfolio at December 31, 2011 for new securities issued by Greece. Considering the existence of an active market, the new securities received were recorded in the Financial assets available for sale portfolio. In the first half of 2012, the BPI Group recognized impairment losses of 16 102 t. euro on securities issued by Greece recorded in the Financial assets available for sale portfolio, which were all sold in the second half of 2012. At the time of sale, impairment of 2 443 t. euro was used and the remaining amount was annulled (Notes 4.20 and 4.48).

The accounting impact relating to the restructuring of Greek Government debt in 2012 is shown in Note 4.48 - Exposure to sovereign debt.

The changes in impairment losses and provisions in the first half of 2013 and 2012 are shown in Note 4.20.

At June 30, 2013 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-17.01.2014	439 971 000	100	0.99	433 150	436 592	406		
BILHETES DO TESOURO-CZ-18.04.2014	253 136 000	100	0.99	249 749	249 909	(483)		
BILHETES DO TESOURO-CZ-18.07.2014	132 325 000	100	0. 98	128 782	130 120	308		
BILHETES DO TESOURO-CZ-18.10.2013	114 853 000	100	1.00	111 026	114 427	678		
BILHETES DO TESOURO-CZ-19.07.2013	561 393 000	100	1.00	542 181	561 168	737		
BILHETES DO TESOURO-CZ-19.09.2014	273 500 000	100	0. 98	267 895	267 904	(706)		
BILHETES DO TESOURO-CZ-19.12.2014	272 887 000	100	0. 97	266 390	265 860	(668)		
BILHETES DO TESOURO-CZ-20.12.2013	124 000 000	100	0.99	123 347	123 281	(109)		
BILHETES DO TESOURO-CZ-21.02.2014	189 518 000	100	0.99	187 183	187 725	(186)		
BILHETES DO TESOURO-CZ-21.03.2014	489 384 000	100	0.99	476 348	483 996	2 033		
BILHETES DO TESOURO-CZ-23.05.2014	759 052 000	100	0.99	736 204	748 243	4 271		
				3 522 255	**3 569 225**	**6 281**		
Treasury Bonds								
OT - 3.35% (15.10.2015)	150 000	0.01	98.07	142	151	5		
OT - 5.45% - SETEMBRO - 1998/2013	150 000	0.01	100.93	150	158	1		
OT-3.6%-15.10.2014	1 441 000	0.01	0.01	1 348	1 480	42		
OT-4.75%-14.06.2019	1 700 000 000	0.01	0.01	1 804 908	1 601 539	(169 878)	(224 145)	
OT-4.95%-25.10.2023	25 000 000		88.94	23 091	23 075	(857)		
				1 829 639	**1 626 403**	**(170 687)**	**(224 145)**	
Other residents								
Non - Subordinated Debt								
Other Bonds								
ANA - AEROP.PORTUGAL-TV-28.08.2013	50 000 000	50000.00	50 143.50	50 000	51 864	144	(189)	
PARPUBLICA - 3.5% - 08.07.2013	20 000 000	50000.00	49 955.00	19 948	20 667	(30)		
SEMAPA - 2006/2016	500 000	50000.00	45 600.00	495	458	(42)		
				70 443	**72 989**	**72**	**(189)**	
Issued by non - residents								
By Foreign Government Entities								
Bonds								
BILHETES DO TESOURO - BFA	13 299 092	7.94		100 631	103 794			
BUONI POLIENNALI DEL T-4.25%-01.09.2019	800 000 000	1000.00	1026.85	818 068	832 719	10 241	(114 514)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1000.00	1039.05	185 458	184 437	552	(25 356)	
IRISH TREASURY-4.4%-18.06.2019	235 000 000	0.01	0.01	229 115	246 690	14 977	(27 046)	
IRISH TREASURY-5.9%-18.10.2019	100 000 000	0.01	0.01	108 108	116 697	7 587	(11 852)	
OBRIGAÇÕES DO TESOURO - AKZ	700 326	794.02		661 295	1 092 073			
OBRIGAÇÕES DO TESOURO - USD	70 264	158.80		378 708	384 281			
				2 481 383	**2 960 691**	**33 357**	**(178 768)**	

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.30).

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					
Other non-residents								
Non - Subordinated Debt								
Bonds								
ATLANTES MORTGAGE -SR.1-CL.A (17.12036)	1008 935	20 178.69	18 515.08	880	927	(83)		
AVOCA CLO BV-SR-II.X-CL-A1-15.01.2020	322 409	403.01	402.53	314	323	2		
BANCA POPOLARE DI MILANO-TV-31.01.2014	500 000	1000.00	988.63	494	495	(5)		
BARCLAYS BANK PLC-TV-25.05.2017	3 429 296	48 989.94	36 502.40	2 477	2 555	(157)		
CELF LOAN PART.BV-SR.2005-1X CL.A 2021	506 343	632.93	622.74	489	500	(8)		
CM BANCAJA FTA-SR.1CL.A TV.(22.12.2036)	52 468	2 623.42	2 520.25	45	50	4		
COSAN FINANCE LTD-7%-01.02.2017	15 290 520	764.53	850.73	15 129	17 458	1855	(2 900)	
COSIPA COMMERCIAL - 8.25% (14.06.2016)	8 027 523	764.53	810.40	9 003	8 539	182	(997)	
DOLLAR DIVERS RI.F-6.55%(16.12.2013)-REG	334 363	66.87	66.87	364	335	(2)		
DUCHESS-SR.V-X CL.B-TV.25.05.2021	800 000	1000.00	928.63	742	743	(23)		
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	80 000.00	794	644	(160)		
GAZ CAPITAL(GAZPROM)-6.212% (22.11.2016)	24 847 095	764.53	825.61	24 761	26 994	2 015	(3 589)	
HARVEST CLO-SR.II-X CL.A (21.05.2020)	418 922	7 904.20	7 672.60	405	407	(12)		
KION MORTGAGE FIN SR.06-1CL.A-15.07.51	103 471	1616.74	1209.80	103	78	(25)		
LAFARGE-4.25% (23.03.2016)	30 000 000	1000.00	1039.77	29 554	31539	1554	(3 172)	
LAFARGE-6.5%-15.07.2016	6 880 734	764.53	832.61	7 075	7 699	554	(927)	
ORION FINANCE PLC- T.V. (15.08.2040)		1595.13	1502.45					
OTE PLC-4.625%-20.05.2016	25 000 000	50 000.00	46 937.50	24 912	23 599	(1502)	(2 245)	
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	24 000 000	1000.00	1002.17	23 017	24 334	857	(3 274)	
				140 558	**147 219**	**5 046**	**(17 104)**	
Subordinated Debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	135 000 000	1000.00	1005.01	128 393	137 829	3 126	(15 730)	
ALLIANZ FRANCE-4.625%-PERP	20 000 000	1000.00	995.62	19 503	19 963	60	(1428)	
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	800 000	100 000.00	88 500.00	746	710	(74)		
AXA SA - 5.777% PERP/SUB	100 000 000	1000.00	1004.38	104 579	106 120	(1018)	(9 994)	
BANCO SABADELL-5.234%-PERPETUA	50 000	50 000.00	28 000.00	49	30	(22)		
BAYER AG - 5% (29.07.2105)	65 000 000	1000.00	1040.05	61904	70 595	3 459	(4 728)	
C8 CAPITAL SPV - 6.64% - PERPETUA	49 694 190	764.53	626.91	49 485	42 399	(8 905)	(3 408)	
CAJA AHORROS DE GALICIA-TV-PERPETUA	50 000	50 000.00	5 000.00	50	5	(45)		
CIBELES FTYPME-SR.III-CL.BSA (26.11.2030)	17 471	4 367.73	4 345.89	17	17			
DONG A/S - 5.5% (29.06.3005)	65 000 000	100	105	65 111	71550	2 931	(5 656)	
ELM BV (SWISS REIN CO) - TV - PERPETUA	48 000 000	50 000.00	50 564.00	48 264	48 790	432	(4 783)	
GENERALI FINANCE BV - 5.479% - PERPETUAS	75 000 000	50 000.00	46 312.50	75 987	71067	(5 911)	(8 811)	
GRANITE MASTER-SR.2006-1A-CL.A5-20.12.54	765 362	139.16	136.52	756	751	(15)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2C	500 000	100 000.00	97 150.00	499	486	(14)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2M	500 000	100 000.00	96 300.00	499	482	(18)		
GRANITE MORTG.-TV(20.9.2044)-SR.04-3/2C	153 488	383.72	370.77	152	148	(5)		
HARBOURMASTER CLO-S.4X-CL.A3(11.10.2019)	500 000	100	0.85	491	426	(70)		
HARVEST CLO SA-SR.IX-CL.B2 (29.3.2017)	750 000	250 000.00	245 000.00	745	738	(15)		
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	48 410.00	198	97	(103)		
MADRID RMBS FTA-SR.06-1CL.A2-22.06.2049	218 895	54 723.81	44 080.23	215	176	(39)		
OLD MUTUAL PLC-OB.PERPETUA	25 000 000	1000.00	934.17	24 785	24 169	(1476)	(1977)	
OPERA FINANCE(DE)-SR.GER3 CL.B-25.1.2022	1000 000	50 000.00	45 286.15	937	907	(56)		
PELICAN MORTGAGES-2/B (15.9.2036)	290 000	10 000.00	5 131.79	286	149	(141)		
RHODIUM BV - SR.1X- CL.C (27.5.2084)	800 000	100 000.00	55 000.00	785	441	(360)		
SIEMENS FINANCIERINGSMAT-5.25% 14.9.2066	50 000 000	1000.00	1094.69	50 896	56 813	4 412	(5 339)	
VATTENFALL AB-TV. PERP.	65 000 000	1000.00	1048.75	64 690	71591	3 370	(5 643)	
				700 022	**726 449**	**(497)**	**(67 497)**	

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.30).

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	112 970	100	100	113	113			
ALAR - EMP.IBERICA MATERIAL AERONAUTICO	2 200	4.99		20	20			
ALBERTO GASPAR, SA (CÓD LB0001: 92020020501)	60 000	300 000.00		141				141
APIS-SOC.IND.PARQUETES AZARUJENSE (C)	65 000	4.99						
APOR-AG.P/MODERNIZAÇAO PORTO - CL.B	5 665	5.00		26	26			
BOAVISTA FUTEBOL CLUBE, FUTEBOL,SAD	21 900	5.00		110				110
BOMBARDIER TRANSPORTATION PORTUGAL SA	31	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
Cª AG.FONTE SANTA MONFORTINHO-D.SUB/E.98	10	5.00						
CADERNO VERDE - COMUNICAÇAO (C)	134 230	100		967				967
CARAVELA GEST, SGPS, SA	272 775	1363 875.00		1895	167			1728
CARMO & BRAZ (C)	65 000	4.99						
CIMPOR - CIM.DE PORTUGAL-SGPS	3 565	100	3.30	7	12	5		
COIMBRAVITA - AGENCIA DESENV.REGIONAL	15 000	4.99		75				75
COMPª AURIFICIA - N	1 186	7.00	1 111.30	25	1 318	1 293		
COMPª PRESTAMISTA PORTUGUEZA	10	100						
COMPª.FIAÇAO E TECIDOS DE FAFE - P	240	4.99						
COMUNDO-CONSORCIO MUNDIAL IMP.EXP.	3 269	0.50		6	2			4
CONDURIL, SA	184 262	921 310.00		806	10 036	9 231		
CORTICEIRA AMORIM - SGPS	127 419	100	196	315	250	176		241
DIGITMARKET-SIST.INF.-N	4 950	100		743				743
EIA-ENSINO INVESTIGAÇAO E ADMINIST.	10 000	4.99		50	34			16
EMP.CINEMATOGRAFICA S.PEDRO	100	4.99						
EMPRESA O COMERCIO DO PORTO	50	2.49		1	1			
ESENCE - SOC.NAC.CORTICEIRA - N	54 545	4.99						
ESTAMPARIA IMPERIO-EMP.IND.IMOBILIARIOS	170	4.99		1	1			
EURODEL-IND.METALURGICAS E PARTICIPAÇOES	23	5.00						
EUROFIL - IND.PLAST.E FILAM.	11 280	4.99		25	25			
F.I.T.-FOM.IND.TOMATE - P	148	4.99		3	3			
FAB. VASCO DA GAMA - IND.TRANSF.	33	4.99		1	1			
FUTEBOL CLUBE DO PORTO	105 000	5.00	0.33	539	35	12		516
GAP - SGPS	548	4.99		3	3			
GARVAL - SOCIEDADE DE GARANTIA MUTUA	1724 380	100	100	1724	1724			
GEIE - GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	100		13				13
GESTINSUA - AQ.AL.PATRIMONIOS IMOB.MOB.	430	5.00		2				2
GREGORIO & CA.	1 510	4.99		4	4			
IMPRESA SGPS	6 200 000	0.50	0.64	22 791	3 968	2 046		20 869
INCAL-IND.E COM.DE ALIMENTAÇÃO	2 514	1.13		2	2			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1307				1307
J.SOARES CORREIA-ARMAZENS DE FERRO	84	5.00		2	2			
JOTOCAR - JOÃO TOMAS CARDOSO - P	3 020	4.99		8	8			
LISGARANTE - SOC.DE GARANTIA MUTUA	156 105	100	100	156	156			
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	13 435	5.00		146				146
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-N	4	5.00						
MAXSTOR - SUP.E MATRIZES INFORMATICOS-C	8 190	4.99		41				41
METALURGIA CASAL - P	128	4.99		1	1			
MIMALHA, SA (CÓD LB0001: 92017022101)	40 557	202 297.46		336				336
MORETEXTILE,SGPS,SA	711	100		1	1			
NET - NOVAS EMPRESAS E TECNOLOGIAS - N	20 097	5.00	3.98	73	80	7		
NEWPLASTICS	1445	100		1	1			
NEXPONOR-SICAFI	1933 840	5.00		9 669	9 669			
NORGARANTE - SOC.DE GARANTIA MUTUA	164 190	100	100	164	164			
NOTORIOUSWAY, SA	2 500	100		3	3			
NUTROTON SGPS - C	11 395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	6.99	50	70	30		10
PORTO DE CAVALEIROS , SGPS	2	4.99						
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.42	2 692	2 713	22		
PRIMUS-PROM.DESENVOL.REGIONAL,EMT,S.A.	8 000	4.99		40	16			24
S.P.G.M.- SOCIEDADE DE INVESTIMENTO - N	665 150	100	100	664	665	1		
SALVOR - SOC.INV.HOTELEIRO - P	10	5.00						
SANJIMO - SOCIEDADE IMOBILIARIA	1620	4.99		8				8
SAPHETY LEVEL - TRUSTED SERVICES	5 069	100		98				98
SDEM -SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	100	104	938	979	297		255
SENAL-SOC.NAC.DE PROMOÇÃO DE EMPRESAS-P	450	0.50						

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.30).

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.)								
SIBS - SGPS, SA	738 455	5.00		3 115	3 115			
SOC.CONSTRUÇÕES ERG	50	4.99						
SOC.CONSTRUÇÕES ERG (EM.93) - IR (C)	6	4.99						
SOC.INDUSTRIAL ALIANÇA (VN 500.$00)	1	2.49						
SODIMUL-SOC.DE COMERCIO E TURISMO	25	14.96		2	2			
SOFID-SOC.P/FIN.DES.-INST.FIN.CREDITO SA	1000 000	100	107	1250	1072			177
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1420	2.50						
SONAE - SGPS	36 868	100	0.73	69	27	13		55
SOPEAL-SOC.PROM.EDUC.ALCACERENSE	100	4.99						
SPIDOURO-SOC.PROM.EMP.INV.DOURO E T.M.	15 000	4.99		75	21			54
SPI-SOC PORTUGUESA DE INOVACAO	1500	5.00		7	7			
STAR - SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3	3			
TAEM - PROCESSAMENTO ALIMENTAR,SGPS, SA	125	100						
TAGUSPARQUE - N	436 407	5.00		2 177	2 177			
TELECINE MORO - SOC.PRODUTORA DE FILMES	170	4.99		1				1
TEROLOGOS-TECNOLOGIAS DE MANUTENÇÃO - P	7 960	4.99		40	40			
TEXTIL LOPES DA COSTA	4 900	4.99		8				8
TUROPA-OPERADORES TURISTICOS	5	4.99						
UNICER - BEBIDAS DE PORTUGAL	1002	100	8.07	8	8			
VIALITORAL - CONC. RODOVIARIA MADEIRA	4 750	16125	766.95	792	3 642	2 851		
VNCORK SGPS	151	100						
XELB-CORK - COM.E INDUSTRIA DE CORTIÇA	87	4.99						
				54 423	**42 457**	**15 984**		**27 945**
Quotas								
PROPAÇO - SOC.IMOB.DE PAÇO D'ARCOS		100		1	1			
VIACER - SOC.GEST.PART.SOCIAIS, SA		100		48 160	44 080	(4 080)		
				48 161	**44 081**	**(4 080)**		
Issued by non residents								
Shares								
ALTITUDE SOFTWARE BV	6 386 243	0.04		13 810				13 810
AMSCO -USD	1807	764.53		765				765
BVDA				229	229			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO BODEGAS)	7 786	778 600.00		4 399	1131	44		3 312
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	142		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS (CAPITAL)				1960	1960			
EUROPEAN INVESTMENT FUND	9	1000 000.00	1171941.49	9 410	10 547	1137		
GROWELA CABO VERDE	19 000	9.07		172				172
IMC-INSTITUTO DO MERCADO DE CAPITAIS				3	3			
INTERBANCOS								
OSEO - SOFARIS	13	107.89	107.89	2	2			
SOPHA(BFA E FESA)				3	3			
S.W.I.F.T.	78	125.00		151	151			
THARWA FINANCE - MAD	20 895			191	267	77		
UNIRISCO GALICIA	80	1202.02	1040.51	96	83	14		27
VISA EUROPE LIMITED	1	10.00						
VISA INC-CLASS C	32 134	0.76	140.87		4 527	4 527		
				31 235	**18 916**	**5 799**		**18 117**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.30).

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								
BPI OBRIGAÇÕES MUNDIAIS	752 210	4.99	7.42	5 567	5 584	17		
CITEVE - CENT.TEC.IND.TEX.VEST.PORTUGAL	20	498.80		10	10			
EGP-UNIVERSITY OF PORTO BUS.SCHOOL ASS.	2	4.99		70	70			
FCR F-HITEC (ES VENTURES)	10	50 000.00	46 967.65	500	470	(30)		
FCR PORTUGAL VENTURES ACTEC	50		9 750.44	500	488	(12)		
FCR PORTUGAL VENTURES II	40	4 987.98	4 448.44	200	178			22
FCR PORTUGAL VENTURES VALOR	40	24 939.89	5 654.76	998	226			771
FCR PORTUGAL VENTURES-FIEP	3 861	1000.00	775.95	3 861	2 996	(865)		
FCR-PORTUGAL VENTURES	115	24 939.00	5 670.86	2 868	652			2 216
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	10 148.37	3 568	1664			1903
FUNDO CAP. RISCO TURISMO INOVACAO CAT.B	40	50 000.00	51085.93	2 000	2 043	43		
FUNDO CARAVELA	3 109	5 000.00	4 625.17	11706	14 380	2 674		
FUNDO INTER-RISCO II - F.C.R.- CL.A	7 500	5 000.00	4 792.69	37 500	35 945	(1555)		
FUNDO RECUPERACAO,FCR-CATEGORIA B	95 000	1000.00	899.62	95 000	85 464			9 536
FUNDO RECUPERACAO,FCR-CATEGORIA C	20 000	1000.00	928.25	20 000	18 565			1435
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR	60 000	1000.00	994.70	60 000	59 682	(318)		
IMOFOMENTO	8 974 836		5.48	49 400	49 198	(202)		
IMOFOMENTO - FII	909 454		5.48	5 000	4 987	(13)		
INEGI INSTITUTO DE ENGENHARIA MECANICA	5 000			25	25			
UNICAMPUS-FEIIF	3 000	1000.00	1003.64	3 000	3 011	11		
				301 773	**285 638**	**(250)**		**15 883**
Issued by non residents								
Participating Units								
FUNDO BPI-EUROPA	23 405	0.01	10.87	171	254	83		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	2 771 018	100	0.73	2 771	2 028	(743)		
				2 942	**2 282**	**(660)**		
Loans and other receivables								
Loans and Shareholder's loans								
EMIS - EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					90			
MORETEXTILE SGPS, SA								11205
NEWPLASTIC								1510
PETROCER SGPS, LDA					200			
PROPACO-IMOBILIARIA DE PACO D'ARCOS					1394			3 788
SAPHETY Level - Trusted Services SA					54			154
TAEM-PROCESSAMENTO ALIMENTAR								3 363
VNCORK-SGPS,SA								152
					1 738			**20 172**
Overdue bonds								
GLITNIR BANKI HF-TV-24.05.2011				487				487
KAUPTHING BANK HF-TX.VAR. (25.05.2010)				590				590
Suprimentos - Intersis				50				50
Suprimentos - Maxstor				972				972
Suprimentos - GEIE				23				23
				2 122				**2 122**
				9 184 956	**9 498 088**	**(109 635)**	**(487 703)**	**84 239**

[1] Net of impairment.

[2] Amount recorded in revaluation reserves (Note 4.30).

At June 30, 2013 this caption included the following securities reclassified from the caption “Financial assets held for trading”, in 2008, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48).

Nature and type of security	Quantity	Book Value / Fair Value
Debt instruments		
By other non resident issuers		
Non - Subordinated Debt		
Bonds		
DOLLAR DIVERS RI.F-6.55%(16.12.2013)-REG	334 363	335
		335

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Loans and advances to Bank of Portugal		14 500
Loans and advances to other Portuguese credit institutions		
Deposits	347 708	50 000
Other loans	34 907	34 800
Other advances	12 459	4 122
Accrued interest	1 338	650
	396 412	**89 572**
Loans and advances to other foreign Central Banks	481 990	435 756
Loans and advances to other foreign financial entities		2 541
Loans and advances to other foreign credit institutions		
Very short term loans and advances	128 067	135 305
Deposits	111 816	23 746
Loans	44	40
Other loans and advances	754 416	1 005 629
Accrued interest	5 448	4 590
	1 481 781	**1 607 607**
	1 878 193	**1 711 679**
Impairment	(3)	(952)
	1 878 190	**1 710 727**

The changes in impairment losses and provisions in the first half of 2013 and 2012 are shown in Note 4.20.

4.7. Loans and advances to customers

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Loans		
Domestic loans		
Companies		
Discount	103 069	125 101
Loans	5 091 267	5 163 276
Commercial lines of credit	1 032 387	1 052 342
Demand deposits - overdrafts	218 109	325 973
Invoices received - factoring	396 866	536 779
Finance leasing	231 576	265 261
Real estate leasing	403 284	438 986
Other loans	19 856	23 628
Loans to individuals		
Housing	11 587 812	11 743 141
Consumer	753 835	828 012
Other loans	533 537	550 503
Foreign loans		
Companies		
Discount	556	1 423
Loans	2 420 143	2 377 834
Commercial lines of credit	298 061	228 415
Demand deposits - overdrafts	22 603	26 571
Invoices received - factoring	456	1 040
Finance leasing	316	504
Real estate leasing	934	985
Other loans	299 377	293 771
Loans to individuals		
Housing	162 606	161 429
Consumer	244 165	305 101
Other loans	79 688	77 889
Accrued interest	74 349	64 618
	23 974 852	**24 592 582**
Securities		
Issued by Portuguese government entities	199 878	199 863
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 322 021	957 446
Commercial paper	1 018 148	1 181 053
Issued by foreign government entities		
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	299 951	198 575
Subordinated debt securities	24 720	24 720
Accrued interest	21 104	13 671
Deferred interest	(1 766)	(1 334)
	2 884 056	**2 573 994**
Correction of the amount of hedged assets	38 353	49 156
Commission relating to amortised cost (net)	1 664	(4 501)
	26 898 925	**27 211 231**
Overdue loans and interest	1 009 756	917 399
Loan impairment	(894 315)	(783 157)
	27 014 366	**27 345 473**

The caption “Loans to customers” includes the following non-derecognised securitised assets:

	Jun. 30, 13	Dec. 31, 12
Non-derecognised securitised assets [1]		
Loans		
Housing	4 731 937	4 832 928
Loans to SME's	3 187 591	3 223 577
Accrued interest	19 085	17 727
	7 938 613	**8 074 232**

[1] Excludes 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).

In December 2007 the Bank sold to the Banco BPI Pension Fund a portion of the risk / benefit relating to the housing loan securitisation operations. The percentage sold of the assets and liabilities relating to these operations was derecognised, and the difference in relation to the sale amount was recognised in the statement of income.

In 2012 Banco BPI repurchased the above bonds from the Banco BPI Pension Fund and so Banco BPI started recognising the full amount of the risk / benefit relating to the housing loans securitisation operations, resulting on an impact of 765 322 t. euro in the caption “Loans to customers” (of which 757 335 t. euro in performing loans). The effect of the repurchase was recognised in net income on financial operations (Note 4.40).

At June 30, 2013 and at December 31, 2012 the caption “Loans to Customers” also included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 4.18), namely:

- 5 717 685 t. euro and 5 701 444 t. euro, respectively, allocated as collateral to mortgage bonds,
- 691 441 t. euro and 660 991 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, 13	Dec. 31, 12
Debt instruments		
Issued by Portuguese government entities	199 878	199 863
Issued by other Portuguese entities	1 198 674	380 005
Issued by other foreign entities	295 818	191 201
	1 694 370	**771 069**

The changes in impairment losses and provisions in the first half of 2013 and 2012 are presented in Note 4.20.

The breakdown of the caption “Loans” by country is as follows:

	Jun. 30, 13	Dec. 31, 12
Portugal	20 277 976	20 966 234
Spain	1 670 869	1 762 071
Angola	1 468 757	1 412 705
Holland	151 156	48 363
France	90 604	92 318
Luxembourg	80 651	80 996
Cape Verde	68 920	65 890
Mozambique	25 352	25 647
Mauritius	13 750	18 184
Switzerland	12 398	12 908
South Africa	10 430	10 561
Venezuela	6 942	7 639
Brazil	5 213	5 623
United States of America	5 047	5 659
Other	12 438	13 166
	23 900 503	**24 527 964**

The BPI Group's portfolio of loans and advances to customers, guarantees given and impairment at June 30, 2013, by business sector, is made up as follows:

	Loans [1]		Overdue Loans		Guarantees given[2]		Impairment[3]	
	Amount	%	Amount	%	Amount	%	Amount	%
Residents:								
Agriculture, animal production and hunting	234 808	0.9	6 515	0.6	3 599	0.2	7 862	0.8
Forestry and forest operations	12 050		736	0.1	1 081		779	0.1
Fishing	36 262	0.1	40 332	4.0	950		32 164	3.4
Mining	132 182	0.5	1 269	0.1	5 478	0.3	1 377	0.1
Beverage, tobacco and food	456 263	1.7	11 921	1.2	96 842	4.5	16 984	1.8
Textiles and clothing	96 441	0.4	5 295	0.5	12 959	0.6	13 788	1.5
Leather and related products	20 237	0.1	1 103	0.1	1 389	0.1	1 386	0.1
Wood and cork	73 651	0.3	10 253	1.0	16 125	0.7	9 071	1.0
Pulp, paper and cardboard and graphic arts	238 428	0.9	7 038	0.7	4 685	0.2	7 121	0.8
Coke, refined petroleum products and fuel pellets	177 411	0.7			19 627	0.9	23	
Chemicals, synthetic or artificial fibres, except pharmaceutical products	110 755	0.4	559	0.1	5 025	0.2	785	0.1
Base pharmaceutical products and pharmaceutical mixtures	41 540	0.2	7		1 994	0.1	187	
Rubber and plastic materials	65 888	0.2	1 112	0.1	6 442	0.3	1 278	0.1
Other mineral non-metallic products	313 768	1.2	2 276	0.2	23 739	1.1	4 663	0.5
Metalworking industries	230 623	0.9	9 560	0.9	30 712	1.4	11 289	1.2
Computers, electronic, electrical and optical equipment	107 584	0.4	2 301	0.2	17 617	0.8	2 700	0.3
Transport equipment	35 736	0.1	1 524	0.2	19 151	0.9	1 590	0.2
Other manufacturing industries	56 463	0.2	8 795	0.9	14 640	0.7	7 307	0.8
Electricity, gas and water	885 636	3.3	28		63 075	2.9	1 710	0.2
Water treatment and collection	424 068	1.6	6 276	0.6	54 645	2.5	8 175	0.9
Construction	863 696	3.2	151 326	15.0	469 672	21.7	141 754	15.0
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 515 414	5.7	94 531	9.4	212 636	9.8	104 212	11.0
Transport and storage	1 614 611	6.0	47 036	4.7	347 785	16.1	39 691	4.2
Restaurants and hotels	330 313	1.2	50 651	5.0	34 104	1.6	28 742	3.0
Information and communication activities	538 834	2.0	3 161	0.3	149 197	6.9	12 174	1.3
Investment holding companies	300 182	1.1	10 595	1.0	42 698	2.0	6 993	0.7
Financial intermediation, except for insurance and pension funds	657 035	2.5	28 014	2.8	53 847	2.5	24 475	2.6
Insurance, reinsurance and pension funds, except for mandatory social security	2 491				2 354	0.1	32	
Auxiliary activities to financial services and insurance	119 341	0.4	350		322		4 187	0.4
Real estate	495 675	1.9	41 301	4.1	54 907	2.5	40 986	4.3
Consulting, scientific, technical and similar activities	323 936	1.2	9 589	0.9	79 814	3.7	17 687	1.9
Administrative and support services	152 903	0.6	9 275	0.9	14 625	0.7	11 658	1.2
Public administration, defence and mandatory social security	1 458 361	5.4	13 933	1.4	29 103	1.3	278	
Education	36 637	0.1	1 811	0.2	3 759	0.2	1 400	0.1
Healthcare and welfare	187 404	0.7	2 506	0.2	5 523	0.3	2 517	0.3
Leisure, cultural and sports activities	87 954	0.3	7 066	0.7	10 148	0.5	8 109	0.9
Other service companies	198 659	0.7	3 455	0.3	2 865	0.1	3 595	0.4
Other companies [4]	27 776	0.1	234		2 057	0.1	14 962	1.6
Individuals								
Housing loans	11 619 970	43.5	297 396	29.6			196 673	20.9
Others	1 337 041	5.0	61 504	6.1	50 798	2.3	69 093	7.3
Non-residents:								
Financial and credit institutions			2		17 727	0.8		
Non-financial companies	742 562	2.8	51 206	5.1	181 629	8.4	60 509	6.4
Individuals	404 632	1.5	7 914	0.8	11		24 724	2.6
	26 765 221	**100.0**	**1 009 756**	**100.0**	**2 165 356**	**100.0**	**944 690**	**100.0**

[1] Excluding overdue loans, securities and interest, accrued interest, correction of the amount of hedged assets and commission relating to amortised cost.

[2] Includes guarantees and sureties, stand-by letters of credit, open documentary credits and surety bonds and indemnities.

[3] Does not include 503 t.euro related to impairment on commitments to third parties.

[4] Companies without a CAE code (Business Activity Classification – Classificação das Actividades Económicas).

The BPI Group's portfolio of loans and advances to customers, guarantees given and impairment at December 31, 2012, by business sector, is made up as follows:

	Loans [1]		Overdue Loans		Guarantees given [2]		Impairment [3]	
	Amount	%	Amount	%	Amount	%	Amount	%
Residents:								
Agriculture, animal production and hunting	222 795	0.8	7 238	0.8	3 429	0.1	7 199	0.9
Forestry and forest operations	13 364		746	0.1	1 088		777	0.1
Fishing	71 619	0.3	29		5 855	0.2	244	
Mining	132 933	0.5	1 275	0.1	5 387	0.2	1 340	0.2
Beverage, tobacco and food	570 611	2.1	11 302	1.2	47 574	2.0	15 165	1.8
Textiles and clothing	104 450	0.4	5 045	0.5	14 656	0.6	10 894	1.3
Leather and related products	23 226	0.1	1 067	0.1	1 321	0.1	1 259	0.2
Wood and cork	72 890	0.3	9 753	1.1	25 896	1.1	8 526	1.0
Pulp, paper and cardboard and graphic arts	286 331	1.1	5 021	0.5	4 941	0.2	6 230	0.8
Coke, refined petroleum products and fuel pellets	19 419	0.1			19 859	0.8	63	
Chemicals, synthetic or artificial fibres, except pharmaceutical products	105 799	0.4	873	0.1	4 971	0.2	752	0.1
Base pharmaceutical products and pharmaceutical mixtures	43 961	0.2	159		1 957	0.1	273	
Rubber and plastic materials	68 918	0.3	1 515	0.2	9 648	0.4	1 563	0.2
Other mineral non-metallic products	239 351	0.9	2 101	0.2	24 345	1.0	4 219	0.5
Metalw orking industries	230 083	0.8	8 615	0.9	33 608	1.4	10 369	1.2
Computers, electronic, electrical and optical equipment	113 204	0.4	1 756	0.2	21 493	0.9	2 516	0.3
Transport equipment	40 226	0.1	1 481	0.2	20 539	0.9	1 427	0.2
Other manufacturing industries	60 343	0.2	10 325	1.1	15 759	0.7	7 518	0.9
Electricity, gas and w ater	752 887	2.8	28		70 249	2.9	544	0.1
Water treatment and collection	438 529	1.6	6 008	0.7	55 761	2.3	8 628	1.0
Construction	890 920	3.3	144 431	15.7	525 719	22.1	133 181	16.0
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 771 375	6.5	85 580	9.3	264 994	11.1	96 891	11.7
Transport and storage	1 625 228	6.0	36 067	3.9	346 170	14.6	32 217	3.9
Restaurants and hotels	347 731	1.3	53 203	5.8	36 073	1.5	24 828	3.0
Information and communication activities	473 162	1.7	4 939	0.5	93 077	3.9	13 824	1.7
Investment holding companies	517 887	1.9	10 243	1.1	64 561	2.7	6 982	0.8
Financial intermediation, except for insurance and pension funds	356 643	1.3	28 016	3.1	50 926	2.1	23 549	2.8
Insurance, reinsurance and pension funds, except for mandatory soc	201				2 426	0.1	9	
Auxiliary activities to financial services and insurance	146 914	0.5	322		459		7 212	0.9
Real estate	532 815	2.0	22 889	2.5	57 598	2.4	25 548	3.1
Consulting, scientific, technical and similar activities	361 311	1.3	9 931	1.1	91 958	3.8	18 666	2.2
Administrative and support services	163 506	0.6	5 375	0.6	17 453	0.7	10 267	1.2
Public administration, defence and mandatory social security	1 538 725	5.7	1 621	0.2	32 297	1.4	265	
Education	39 234	0.1	1 269	0.1	3 772	0.2	1 299	0.2
Healthcare and w elfare	198 312	0.7	1 218	0.1	5 489	0.2	2 560	0.3
Leisure, cultural and sports activities	93 772	0.3	6 242	0.7	32 053	1.3	7 704	0.9
Other service companies	116 396	0.4	2 213	0.2	3 770	0.2	3 439	0.4
Other companies [4]	6 236		324		1 874	0.1	1 577	0.2
Individuals								
Housing loans	11 775 792	43.6	307 943	33.7			180 937	21.9
Others	1 430 598	5.3	65 995	7.2	53 662	2.2	70 984	8.5
Non-residents:								
Financial and credit institutions	2 462				29 312	1.2	160	
Non-financial companies	629 777	2.3	48 884	5.3	288 319	12.1	56 016	6.7
Individuals	459 685	1.7	6 357	0.7	61		22 891	2.8
	27 089 621	**100.0**	**917 399**	**100.0**	**2 390 359**	**100.0**	**830 512**	**100.0**

[1] Excluding overdue loans, securities and interest, accrued interest, correction of the amount of hedged assets and commission relating to amortised cost.

[2] Includes guarantees and sureties, stand-by letters of credit, open documentary credits and surety bonds and indemnities.

[3] Does not include 751 t.euro related to impairment on commitments to third parties.

[4] Companies without a CAE code (Business Activity Classification – Classificação das Actividades Económicas).

The caption “Securities” at June 30, 2013 is made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment [5]
Debt Instruments				
Issued by Portuguese Entities				
Portuguese Public Debt				
OT-TV-05.01.2021	50 000 000	50 000	50 838	
REPUBLIC OF PORTUGAL-TV-14.01.2021	50 000 000	49 925	50 719	
REPUBLICA DE PORTUGAL 3.75% - 29.01.2018	50 000 000	50 000	50 792	
REPUBLICA PORTUGUESA - TV - 03.11.2015	50 000 000	49 953	50 207	
		199 878	**202 556**	
Other residents				
Non - Subordinated Debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	89 724 746	89 725	89 725	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		89 775	**89 775**	
Other bonds				
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	36 500 000	30 052	36 508	
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	6 900 000	6 900	6 902	
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	6 600 000	6 600	6 601	
BA GLASS I-SERV.GEST.INV.-TV-22.12.15	12 500 000	12 500	12 509	
BANCO COMERCIAL PORT.-9.25%-13.10.2014	1 550 000	1 647	1 749	
BANCO ESPIRITO SANTO SA 5.875%-09.11.2015	21 000 000	20 953	21 744	
BANIF - TAX.VAR. (30.12.2015)[1]	11 800 000	11 800	11 801	
BCP - 5.625% - 23.04.2014	7 100 000	7 070	7 145	
BES-3.875%-21.01.2015	2 500 000	2 489	2 532	
BES-5.625%-05.06.2014	11 850 000	11 831	11 877	
BRISA - 4.5% - 05.12.2016	8 200 000	7 954	8 163	
BRISA CONCESSAO ROD.-6.25%-05.12.2014	25 000 000	25 000	25 109	
BRISA-CONCESSAO R-4.797%-26.09.2013	18 467 000	18 414	19 086	
CAIXA GERAL DE DEPóSITOS 5.625%-04.12.15	17 700 000	17 771	18 338	
CAIXA GERAL DE DEPOSITOS-8%-28.09.2015	12 400 000	12 914	13 661	
CELBI CELULOSE BEIRA IND.-TV(08.02.2015)	75 000 000	71 931	75 371	
CGD-3.75%-18.01.2018	9 000 000	8 969	9 120	
CGD-5.125%-19.02.2014	500 000	501	510	
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 205	
EDIA-EMP.DES.DO ALQUEVA - TV-11.08.2030	19 250 000	19 250	19 475	
EDP FINANCE BV-4.75%-26.09.2016	12 275 000	12 370	12 812	
GALP 2013/2018	150 000 000	150 000	151 339	
GALP 2013/2018	25 000 000	25 000	25 223	
GRUPO VISABEIRA SGPS-TV-13.07.2014	5 000 000	5 000	5 027	
JMR - 2012 / 2015	175 000 000	176 627	175 351	
JMR - 2012 / 2015	25 000 000	25 000	25 050	
MOTA-ENGIL SGPS-TV-30.12.2016	20 000 000	20 000	20 585	
POLIMAIA / 1989 - SR.C (AC.CRED.)	7			
PORTUGAL TELECOM SGPS,SA-6.25%-2016	50 000 000	50 004	51 341	
REN-REDES ENERG.NAC.-TF(10.12.2013)	16 900 000	16 992	17 729	
REN-REDES ENERG.NAC.-TV-16.01.2020	100 000 000	100 000	101 032	
REN-REDES ENERG.NAC.-TV-16.01.2020	25 000 000	25 000	25 258	
SECIL - 2013/2016	40 000 000	40 000	40 168	
SECIL - 2013/2018	40 000 000	40 000	40 197	
SEMAPA - 2006/2016 2ª	50 000 000	47 635	50 065	
Semapa TV (20.04.2016)[3]	7 650 000	7 637	7 663	
SONAE CAPITAL SGPS - TV - 17.01.2016	10 000 000	10 018	10 215	
SONAECOM SGPS 2012/2015	20 000 000	20 000	20 417	
SONAE DISTRIBUIÇAO SETEMBRO - 2007/2015	33 400 000	33 400	33 490	
SONAE DISTRIBUIÇAO SETEMBRO - 2007/2015	6 600 000	6 600	6 618	
ZON MULTIMEDIA 2010-2014	100 000 000	101 328	100 174	
		1 223 337	**1 244 160**	
Commercial paper		1 018 148	1 019 144	7 147
		1 018 148	**1 019 144**	**7 147**

[1] Securities reclassified from the caption “Financial assets held for trading”, in 2008, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48).

[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 4.48).

[3] Securities reclassified from the caption “Financial assets at fair value through profit or loss” in 2012, under the amendments to IAS 39 and IFRS 7, (Notes 2 and 4.48).

[4] Securities reclassified from the caption “Financial assets available for sale” in 2013 (Notes 2 and 4.48).

[5] Additionally, the Bank recorded collective impairment of 3 727 t. euro.

Nature and type of security	Quantity	Cost	Gross book value	Impairment [5]
Issued by non residents				
Non - Subordinated Debt				
Asset Backed Securities (ABS's)				
NIGHTINGALE FIN LTD-TV-03.05.2022	3 822 630	3 823	3 823	3 823
		3 823	**3 823**	**3 823**
Asset Backed Securities (ABS's)				
HSBC BRAZIL-SR.2006-A-15.04.2016	7 071 862	6 645	6 931	
RED & BLACK PRIME RUS-S07-1CA-01.19.35	745 570	746	746	
SARATOGA CLO I LTD-SR.2006-1X-CL-A2-2019	7 645 260	7 645	7 647	
SARATOGA CLO I LTD-SR.2006-1X-CL-B-2019	2 293 578	2 294	2 294	
VB DPR FIN CO-SR.2010-1A-CL.A-15.06.2014	(0)			
VB DPR FIN CO-SR.2010-1A-CL.B-15.06.2014	1 573 443	1 526	1 562	
YAPI KREDIT FIN-SR.2010-CL.C-21.11.2014	1 800 001	1 733	1 780	
		20 589	**20 960**	
Other bonds				
BANCO DE SABADELL SA 4.25% - 19.09.2014	7 900 000	7 900	8 161	
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 928	16 162	
BBVA SENIOR FINANCE SA-TV-14.09.2015	65 000 000	64 517	64 979	
BBVA SENIOR FINANCE-4.875%-23.01.2014	6 900 000	6 941	7 087	
BPE FINANCIACIONES SA-4%-17.07.2015	14 800 000	14 767	15 033	
CAIXABANK-3.25%-22.01.2016	14 800 000	14 758	14 968	
EDDYSTONE FIN.SR2006-1CLA1B 19.04.2021[2]	405 865	292	293	
EDP FINANCE BV - 3.75% (22.06.2015)	2 349 000	2 385	2 387	
EDP FINANCE BV-3.25%-16.03.2015	12 982 000	12 995	13 117	
EDP FINANCE BV-4.625% (13.06.2016)	6 903 000	7 060	7 075	
EDP FINANCE BV-5.875%-01.02.2016	19 228 000	20 148	20 609	
EIRLES THREE LTD(SERIES 297)-31.12.2021	7 160 438	6 159	6 159	
ENEL FINANCE INTL SA-4%-14.09.2016	6 700 000	6 881	7 093	
EURO-VIP / 1990[4]	4 587 156	4 083	4 093	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 945	7 146	
PORTUGAL TELECOM I.F.-5.625%-08.02.2016	5 700 000	5 944	6 069	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 955	7 134	
REPSOL SA-4.25%-12.02.2016	6 800 000	6 913	7 022	
SANTANDER INTL DEBT SA-4.375%-04.09.2014	7 000 000	7 056	7 307	
SANTANDER INTL DEBT SA-TV-28.09.2015	40 000 000	40 000	40 005	
TELECOM ITALIA SPA 8.25% - 21.03.2016	6 100 000	6 719	6 859	
TELEFONICA EMISIONES-4.375% (02.02.2016)	5 100 000	5 067	5 158	
UNICREDIT SPA 4.375% 11.09.2015	4 700 000	4 765	4 930	
		275 178	**278 846**	
Subordinated Debt				
Bonds				
B.FINANTIA INTL LTD-CAY-TV.(04.05.2015)[1]	3 500 000	3 500	3 514	
BANCO FINANTIA INTL LTD-TV-26.07.2017[1]	8 500 000	8 500	8 538	
BANCO FINANTIA INTL-TV. (28.07.2016)[1]	4 000 000	4 000	4 018	
BANIF FINANCE(CAY)-TV-29.12.2014[1]	4 220 000	4 220	4 220	
ESPIRITO SANTO INVST PLC-TV.(20.12.2015)[1]	4 500 000	4 500	4 501	
		24 720	**24 791**	
			2 880 232	**7 147**

[1] Securities reclassified from the caption "Financial assets held for trading", in 2008, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48).

[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 4.48).

[3] Securities reclassified from the caption "Financial assets at fair value through profit or loss" in 2012, under the amendments to IAS 39 and IFRS 7 (Notes 2 and 4.48).

[4] Securities reclassified from the caption "Financial assets available for sale" in 2013 (Notes 2 and 4.48).

[5] Additionally, the Bank recorded collective impairment of 3 727 t. euro.

The impairment losses recorded in the Structured Investment Vehicles (SIVs) portfolio mentioned above were calculated based on a nil Net Asset Value.

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, 2013 this review did not show indications of impairment of securities.

4.8 Held to maturity investments

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	116 129	160 650
Bonds issued by foreign government entities	59 950	69 867
Bonds issued by other foreign entities		
Non-subordinated debt	71 275	201 073
Subordinated debt	1 900	11 349
Accrued interest	3 775	2 359
	253 029	**445 298**

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

At June 30, 2013 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Book Value	Impairment
Debt Instruments				
Other residents				
Non - Subordinated Debt				
Bonds				
BANCO COMERCIAL PORTUGUES-TV-09.05.2014	13 500 000	12 932	12 939	
CGD-5.125%-19.02.2014	10 000 000	10 078	10 262	
PARPUBLICA - 3.5% - 08.07.2013	91950 000	91948	95 095	
SEMAPA - TV (20.04.2016)[2]	1200 000	1171	1175	
		116 129	**119 471**	
Issued by non residents				
Issued by foreign government entities				
Bonds				
BONOS Y OBLIG DEL ESTADO-TV-17.03.2015	60 000 000	59 950	59 963	
		59 950	**59 963**	
Issued by other non resident entities				
Non - Subordinated Debt				
Bonds				
BANCA CARIGE SPA-TV-07.06.2016[2]	1000 000	1000	1001	
CRITERIA CAIXA CORP.-4.125%-20.11.2014	14 800 000	14 780	15 152	
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6 000	6 012	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019[1]	8 400 000	8 400	8 409	
ING GROEP NV-TV. (11.04.2016)[1]	3 900 000	3 796	3 800	
ING VERZEKERINGEN NV - TV (18.09.2013)[1]	4 000 000	3 992	3 993	
MORGAN STANLEY-TV-29.11.2013[1]	2 500 000	2 478	2 479	
ROYAL BANK OF SCOTLAND-TV-08.06.2015[1]	5 500 000	5 500	5 503	
ROYAL BANK OF SCOTLAND-TV-08.06.2015[2]	500 000	500	500	
TELECOM ITALIA SPA - TV - 19.07.2013	2 500 000	2 499	2 503	
VODAFONE GROUP PLC-TV-06.06.2014	10 000 000	9 952	9 956	
VODAFONE GROUP PLC-TV. (05.09.2013)	12 383 000	12 377	12 384	
		71274	**71692**	
Subordinated Debt				
Bonds				
CAM INTERNATIONAL-TV-26.04.2017[2]	1900 000	1900	1903	
		1900	**1903**	
		249 253	**253 029**	

[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 4.48)

[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 4.48).

4.9. Other tangible assets

The changes in other tangible assets in the first half of 2013 were as follows:

	Gross						Depreciation					Net	
	Balance at Dec. 31, 12	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 13	Balance at Dec. 31, 12	Depreciation for the period	Sales and write-offs	Foreign exchange differences	Balance at Jun. 30, 13	Balance at Jun. 30, 13	Balance at Dec. 31, 12
Property													
Property for own use	136 800	208	(143)	2 635	265	139 765	26 172	1 280	(41)	30	27 441	112 324	110 628
Other property	104					104	35	1			36	68	69
Leasehold improvements	112 360	361	(24)	1 651	149	114 497	97 543	1 131	(22)	96	98 748	15 749	14 817
	249 264	**569**	**(167)**	**4 286**	**414**	**254 366**	**123 750**	**2 412**	**(63)**	**126**	**126 225**	**128 141**	**125 514**
Equipment													
Furniture and fixtures	52 835	472	(295)	54	16	53 082	44 001	963	(289)	6	44 681	8 401	8 834
Machinery and tools	14 203	318	(288)	(16)	11	14 228	12 405	319	(287)	8	12 445	1 783	1 798
Computer hardware	187 920	2 079	(2 428)	437	52	188 060	178 735	3 548	(2 413)	44	179 914	8 146	9 185
Interior installations	160 475	758	(1 168)	68	5	160 138	116 553	5 172	(602)		121 123	39 015	43 922
Vehicles	10 758	1 039	(447)	216	28	11 594	7 301	1 008	(413)	19	7 915	3 679	3 457
Security equipment	27 692	374	(104)	(1 115)	21	26 868	22 704	544	(102)	7	23 153	3 715	4 988
Other equipment	620	1		(8)	2	615	133	3		2	138	477	487
	454 503	**5 041**	**(4 730)**	**(364)**	**135**	**454 585**	**381 832**	**11 557**	**(4 106)**	**86**	**389 369**	**65 216**	**72 671**
Tangible assets in progress	9 624	3 669		(3 886)	77	9 484						9 484	9 624
Other tangible assets	12 991	2	(242)			12 751	10 111	124	(183)		10 052	2 699	2 880
	22 615	**3 671**	**(242)**	**(3 886)**	**77**	**22 235**	**10 111**	**124**	**(183)**		**10 052**	**12 183**	**12 504**
	726 382	**9 281**	**(5 139)**	**36**	**626**	**731 186**	**515 693**	**14 093**	**(4 352)**	**212**	**525 646**	**205 540**	**210 689**

The changes in other tangible assets in the first half of 2012 were as follows:

	Gross						Depreciation					Net	
	Balance at Dec. 31, 11	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at Jun. 30, 12**	**Balance at Dec. 31, 11**	**Depreciation for the period**	**Sales and write-offs**	**Foreign exchange differences**	**Balance at Jun. 30, 12**	**Balance at Jun. 30, 12**	**Balance at Dec. 31, 11**
Property													
Property for own use	130 653	925	(587)	16	2 440	133 447	24 318	870	(292)	246	25 183	108 264	106 335
Other property	314		(124)			190	159	1	(64)		96	94	155
Leasehold improvements	114 522	115	(149)	923	1 180	116 591	99 142	1 711	(81)	793	101 524	15 067	15 380
	245 489	**1 040**	**(860)**	**939**	**3 620**	**250 228**	**123 619**	**2 582**	**(437)**	**1 039**	**126 803**	**123 425**	**121 870**
Equipment													
Furniture and fixtures	52 086	839	(253)		309	52 981	42 795	1 000	(243)	139	43 689	9 292	9 291
Machinery and tools	13 821	270	(195)		93	13 989	12 020	366	(193)	62	12 255	1 734	1 801
Computer hardware	187 311	1 372	(992)	729	625	189 045	173 131	4 582	(985)	492	177 243	11 802	14 180
Interior installations	161 255	680	(422)	511	189	162 213	109 023	5 404	(245)	89	114 248	47 965	52 232
Vehicles	9 542	1 206	(598)		223	10 373	6 490	994	(594)	151	7 043	3 330	3 052
Security equipment	27 288	320	(71)	100	149	27 786	21 806	720	(68)	51	22 509	5 277	5 482
Other equipment	746	9	(1)		15	769	244	8	(1)	1	252	517	502
	452 049	**4 696**	**(2 532)**	**1 340**	**1 603**	**457 156**	**365 509**	**13 074**	**(2 329)**	**985**	**377 239**	**79 917**	**86 540**
Tangible assets in progress	13 533	2 700		(3 645)	347	12 935						12 935	13 533
Other tangible assets	13 369		(17)			13 352	10 204	143	(8)		10 339	3 013	3 165
	26 902	**2 700**	**(17)**	**(3 645)**	**347**	**26 287**	**10 204**	**143**	**(8)**		**10 339**	**15 948**	**16 698**
	724 440	**8 436**	**(3 409)**	**(1 366)**	**5 570**	**733 671**	**499 332**	**15 799**	**(2 774)**	**2 024**	**514 381**	**219 290**	**225 108**

4.10. Intangible assets

The changes in intangible assets in the first half of 2013 were as follows:

	Gross						Amortization				Net	
	Balance at Dec. 31, 12	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at Jun. 30, 13**	**Balance at Dec. 31, 12**	**Amortization for the period**	**Sales and write-offs**	**Balance at Jun. 30, 13**	**Balance at Jun. 30, 13**	**Balance at Dec. 31, 12**
Software	65 116	1 119		829	23	67 087	59 089	1 800		60 896	6 191	6 027
Other intangible assets	30 144		(303)		5	29 846	27 460	6	(303)	27 168	2 678	2 684
	95 260	**1 119**	**(303)**	**829**	**28**	**96 933**	**86 549**	**1 806**	**(303)**	**88 064**	**8 869**	**8 711**
Intangible assets in progress	5 306	1 667		(1 528)		5 445					5 445	5 306
	100 566	**2 786**	**(303)**	**(699)**	**28**	**102 378**	**86 549**	**1 806**	**(303)**	**88 064**	**14 314**	**14 017**

The changes in intangible assets in the first half of 2012 were as follows:

	Gross						Amortization				Net	
	Balance at Dec. 31, 11	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at Jun. 30, 12**	**Balance at Dec. 31, 11**	**Amortization for the period**	**Sales and write-offs**	**Balance at Jun. 30, 12**	**Balance at Jun. 30, 12**	**Balance at Dec. 31, 11**
Software	60 371	703		984	112	62 170	56 770	1 105		57 936	4 234	3 601
Other intangible assets	30 553		(207)		44	30 390	27 834	23	(207)	27 694	2 696	2 719
	90 924	**703**	**(207)**	**984**	**156**	**92 560**	**84 604**	**1 128**	**(207)**	**85 630**	**6 930**	**6 320**
Intangible assets in progress	3 237	789		(13)		4 013					4 013	3 237
	94 161	**1 492**	**(207)**	**971**	**156**	**96 573**	**84 604**	**1 128**	**(207)**	**85 630**	**10 943**	**9 557**

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, 13	Dec. 31, 12	Jun. 30, 13	Dec. 31, 12
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	41 327	38 891
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	86 993	80 654
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	23 423	24 594
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	32.8	32.8	25 702	26 560
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0	49.0	620	595
Unicre - Instituição Financeira de Crédito, S.A.	21.0	21.0	31 116	30 961
			209 181	**202 255**

In 2012 TC Turismo Capital – SCR, S.A. and Aicep Capital were merged by incorporation into Inovcapital – Sociedade de Capital de Risco, S.A., the corporate name of which was changed to Portugal Capital Ventures – Sociedade de Capital de Risco, S.A.. The BPI Group ceased to own the participations of 25% in TC Turismo Capital – SCR, S.A. and 4.4% in Inovcapital – Sociedade de Capital de Risco, S.A. and now holds a participation of 6.4 % in Portugal Capital Ventures, which was recorded in the financial assets available for sale portfolio.

4.12. Tax assets

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Current tax assets		
Corporate income tax recoverable	3 664	7 162
Others	1 918	2 047
	5 582	**9 209**
Deferred tax assets		
Due to temporary differences	485 150	536 549
Due to tax losses carried forward	55 107	71 934
	540 257	**608 483**
	545 839	**617 692**

Details of deferred tax assets are presented in Note 4.44.

4.13. Other assets

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Debtors, other applications and other assets		
Debtors for future operations	9 948	10 492
Collateral accounts	6 828	3 727
Other aplications	12 545	7 183
VAT recoverable	136	115
Debtors for loan interest subsidy receivable	5 210	6 811
Other debtors	121 561	129 068
Overdue debtors and other applications	398	432
Impairment	(240)	(395)
Other assets		
Gold	65	49
Other available funds and other assets	854	814
	157 305	158 296
Tangible assets available for sale	174 723	169 397
Impairment	(72 078)	(64 707)
	102 645	104 690
Accrued income		
For irrevocable commitments assumed in relation to third parties	252	226
For banking services rendered to third parties	2 365	2 484
Other accrued income	20 544	28 380
	23 161	31 090
Deferred expenses		
Insurance	214	3
Rent	4 767	1 946
Contributions to the Deposit Guarantee Fund	1 634	
Initial contribution to the Resolution Fund (Note 4.41)	641	
Other deferred expenses	18 098	7 313
	25 354	9 262
Liability for pensions and other benefits (Note 4.26)		
Pension Fund Asset Value		
Pensioners and employees	1 045 460	986 874
Directors	34 967	32 638
Past Service Liabilities		
Pensioners and employees	(948 159)	(937 090)
Directors	(36 005)	(35 113)
Others	(1 149)	(999)
Changes in the Pension Plan conditions to be amortised		
Others	61	63
	95 175	46 373
Other accounts		
Foreign exchange transactions pending settlement	48 081	
Stock exchange transactions pending settlement		17 761
Non stock exchange transactions pending settlement		21 393
Operations on assets pending settlement	210 711	261 497
	258 792	300 651
	662 432	**650 362**

The caption “Other applications” at June 30, 2013 and at December 31, 2012 includes 7 270 t. euro and 4 019 t. euro, respectively, 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, 2013 and at December 31, 2012 includes 103 211 t. euro and 102 319 t. euro, respectively, 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 changes in tangible assets available for sale in the first half of 2013 were as follows:

	Balance at Dec. 31, 12			Aquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at Jun. 30, 13		
	Gross	Impair-ment	Net		Gross	Impair-ment			Gross	Impair-ment	Net
Assets received in settlement of defaulting loans											
Real estate	162 320	(63 418)	98 902	21 560	(15 250)	2 164	(8 646)	16	168 646	(69 900)	98 746
Equipment	2 701	(1 025)	1 676	1 533	(2 139)	191	(105)	1	2 096	(939)	1 157
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 315	(203)	4 112		(395)	198	(1 173)		3 920	(1 178)	2 742
	169 397	**(64 707)**	**104 690**	**23 093**	**(17 784)**	**2 553**	**(9 924)**	**17**	**174 723**	**(72 078)**	**102 645**

The changes in tangible assets available for sale in the first half of 2012 were as follows:

	Balance at Dec. 31, 11			Aquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Balance at Jun. 30, 12		
	Gross	Impair-ment	Net		Gross	Impair-ment		Gross	Impair-ment	Net
Assets received in settlement of defaulting loans										
Real estate	139 198	(53 561)	85 637	26 839	(15 225)	2 529	(7 604)	150 812	(58 636)	92 176
Equipment	2 151	(838)	1 313	1 948	(1 800)	199	(214)	2 299	(853)	1 446
Others	61	(61)						61	(61)	
Other tangible assets										
Real estate	4 315	(203)	4 112					4 315	(203)	4 112
	145 725	**(54 663)**	**91 062**	**28 787**	**(17 025)**	**2 728**	**(7 818)**	**157 487**	**(59 753)**	**97 734**

The caption “Other accrued income” at June 30, 2013 and at December 31, 2012 includes 10 625 t. euro and 19 607 t. euro, respectively, relating to accrued commission from participation on the results of insurance products (Notes 2.14 and 4.39).

At June 30, 2013 and at December 31, 2012, the caption “Past service liabilities – Others” corresponded to the liability of Banco de Fomento Angola in accordance with Law 18/90 of Angola, regarding the Angola Social Security system, which defines that retirement pensions must be granted to all Angolan employees enrolled in the Social Security.

The caption “Stock exchange transactions pending settlement” at December 31, 2012 refers to the sale of securities only settled in the following month.

The caption “Non stock exchange transactions pending settlement” at December 31, 2012 refers to the sale of securities only settled in the following month.

At June 30, 2013 and at December 31, 2012 the balance of the caption asset operations pending adjustment includes:

- 166 051 t. euro and 194 994 t. euro, respectively, relating to securitisation operations carried out by the BPI Group (Notes 4.7 and 4.19), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 13 634 t. euro and 15 960 t. euro, respectively, relating to taxes to be regularized, of which 9 610 t. euro and 11 977 t. euro, respectively, as of those dates relate to taxes subject to litigation, paid under Decree-Law 248-A / 02 of November 14;
- 8 981 t. euro and 11 410 t. euro, respectively, relating to housing loans pending settlement.
- 21 601 t. euro and 13 500 t. euro, respectively, relating to transfers under SEPA (*Single Euro Payments Area*).

The changes in impairment losses and provisions in the first half of 2013 and 2012 are shown in Note 4.20.

4.14. Resources of Central Banks

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Resources of the Bank of Portugal		
Deposits	4 075 603	4 217 432
Accrued interest	46 651	33 073
Resources of other Central Banks		
Deposits	10 466	20 323
Accrued interest	43	90
	4 132 763	**4 270 918**

In the first half of 2013 and in 2012, Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (Note 4.33).

4.15. Financial liabilities held for trading

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Short selling		
Debt instruments		
Bonds issued by foreign government entities	97	233
Derivative instruments with negative fair value (Note 4.4)	260 680	339 931
	260 777	**340 164**

4.16. Resources of other credit institutions

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Resources of Portuguese credit institutions		
Interbank money market		150 000
Very short term resources	22 936	11 369
Deposits	312 654	109 266
Loans	34	35
Other resources	6 593	7 174
Accrued interest	543	187
	342 760	278 031
Resources of foreign credit institutions		
Deposits of international financial organisations	192 752	192 997
Very short term resources	551	57 979
Deposits	183 797	173 119
Debt securities sold with repurchase agreements	1 053 260	1 714 249
Other resources	101 310	140 881
Accrued interest	942	1 185
	1 532 612	2 280 410
Correction of the amount of hedged liabilities	8 727	10 505
Commission relating to amortised cost	(100)	(525)
	1 883 999	**2 568 421**

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, 13	Dec. 31, 12
Demand deposits	8 048 463	7 811 054
Term deposits	16 169 694	15 745 657
Savings deposits	157 559	229 449
Compulsory deposits	7 023	7 210
Cheques and orders payable	118 255	75 776
Debt securities sold w ith repurchase agreement	115 865	
Other resources of customers	52 185	54 291
Capitalisation insurance products - Unit links	375 510	323 885
Capitalisation insurance products - Guaranteed Rate and Guaranteed Retirement	115 469	144 409
Accrued interest	198 754	185 564
	25 358 777	24 577 295
Correction of the amount of hedged liabilities	20 184	43 844
Commission relating to amortized cost (net)	(7)	
	25 378 954	**24 621 139**

The caption “Resources of customers” at June 30, 2013 included 578 769 t. euro and 271 219 t. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (414 394 t. euro and 104 507 t. euro, respectively, at December 31, 2012).

4.18. Debt securities

This caption is made up as follows:

	Jun. 30, 13				Dec. 31, 12			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Deposit Certificates								
EUR					9		9	3.6%
					9		**9**	
Commercial Paper								
EUR	4 907		4 907	2.0%	19 889		19 889	2.2%
	4 907		**4 907**		**19 889**		**19 889**	
Covered Bonds								
EUR	4 325 000	(2 764 250)	1 560 750	1.6%	4 325 000	(2 752 600)	1 572 400	1.6%
	4 325 000	**(2 764 250)**	**1 560 750**		**4 325 000**	**(2 752 600)**	**1 572 400**	
Fixed rate cash bonds								
EUR	1 034 552	(221 752)	812 800	4.0%	1 655 548	(318 274)	1 337 274	3.9%
CHF	806	(61)	745	3.3%	824	(62)	762	3.3%
USD	33 792	(7 060)	26 732	3.4%	147 579	(29 438)	118 141	3.6%
CAD	7 492	(1 703)	5 789	4.5%	23 046	(1 945)	21 101	4.5%
JPY	30 914		30 914	2.5%	35 208		35 208	2.5%
	1 107 556	**(230 576)**	**876 980**		**1 862 205**	**(349 719)**	**1 512 486**	
Variable rate cash bonds								
EUR	192 000	(92 000)	100 000	0.9%	212 000	(101 050)	110 950	1.2%
USD					7 579	(3 085)	4 494	2.4%
	192 000	**(92 000)**	**100 000**		**219 579**	**(104 135)**	**115 444**	
Variable income cash bonds								
EUR	362 616	(123 807)	238 809		668 959	(248 288)	420 671	
USD	48 337	(23 524)	24 813		56 465	(38 461)	18 004	
	410 953	**(147 331)**	**263 622**		**725 424**	**(286 749)**	**438 675**	
	6 040 416	**(3 234 157)**	**2 806 259**		**7 152 106**	**(3 493 203)**	**3 658 903**	
Accrued interest			24 501				44 022	
Correction of the amount of hedged liabilities			62 130				96 008	
Premiums and commission (net)			(8 360)				(11 306)	
			78 271				128 724	
			2 884 530				3 787 627	

The average interest rates mentioned in the preceding table were calculated based on the interest rate of each issue in relation to the nominal value of the bonds. It is not possible to calculate the rate for the Variable Income Bonds as the income is only known when it is due.

As part of its medium and long term funding plan, the BPI Group issues cash bonds. Some of the bonds are issued under the Euro Medium Term Notes (EMTN) program.

The maximum amount for issues under the EMTN program is 10 000 000 000 euro.

Cash bonds can only be issued by institutions under the Bank of Portugal's supervision. They are an instrument currently used by the BPI Group to provide investment solutions for its customers, as an alternative to term deposits.

Bonds issued, being cash bonds or bonds issued under the EMTN program, can be issued in different currencies.

In 2008 the BPI Group set up two covered bond issue programs (mortgage bonds and bonds over the public sector), under Decree-Law 59/2006. Under these programs the BPI Group made three issues of mortgage bonds in 2009, four issues of mortgage bonds and one issue of bonds over the public sector in 2010, two issues of mortgage bonds in 2011 and one issue of mortgage bonds in 2012.

In accordance with this law, the holders of the mortgage bonds benefit from a special credit privilege over the autonomous assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

The mortgage bonds program was set up for up to a maximum of 7 000 000 000 euro.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits with financial institutions with ratings equal to or greater than " A - " and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- The total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;

- The average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;

- The total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;

- The net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral 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, 2013 the amount of mortgage bonds issued by the BPI Group was 3 925 000 000 euro, split into 8 issues as follows:

	OH - Series 5	OH - Series 7	OH - Series 8	OH - Series 9
Issue Date	28/05/2009	15/01/2010	12/02/2010	21/05/2010
Nominal Amount	EUR 175 000 000	EUR 1 000 000 000	EUR 200 000 000	EUR 350 000 000
ISIN	PTBB1XOE0006	PTBB5JOE0000	PTBB5WOE0003	PTBBP6OE0023
Maturity Date	28/05/2016	15/01/2015	12/02/2017	21/05/2025
Rating (Moody's/S&P/Fitch)	Aaa/-/-	Aaa/AAA/AAA	Aaa/-/-	Aaa/-/-
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest Payment frequency	Quarterly	Annual	Quarterly	Quarterly
Coupon	Euribor 3 m + 1.20%	3.25%	Euribor 3 m + 0.84%	Euribor 3 m + 0.65%
Repurchases	-	EUR 164 250 000	-	EUR 350 000 000

	OH - Series 10	OH - Series 11	OH - Series 12	OH - Series 13
Issue Date	05/08/2010	25/01/2011	25/08/2011	20/07/2012
Nominal Amount	EUR 600 000 000	EUR 200 000 000	EUR 600 000 000	EUR 800 000 000
ISIN	PTBBQQOE0024	PTBBPMOE0029	PTBBWAOE0024	PTBBR3OE0030
Maturity Date	05/08/2020	25/01/2018	25/08/2021	20/07/2017
Rating (Moody's/S&P/Fitch)	-/-/AAA	Aa1/AA/AA+	A3/A+/A-	Baa3/A-/-
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 + 4.60%	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%
Repurchases	EUR 600 000 000	-	EUR 600 000 000	EUR 800 000 000

At June 30, 2013 and December 31, 2012, the cover pool allocated to the mortgage bonds amounted to 5 780 776 t. euro and 5 793 116 t. euro, respectively, of which 5 717 685 t. euro and 5 701 444 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, 2013 BPI Group held two outstanding issues of bonds over the public sector amounting to 400 000 000 euro, as follows:

	OSP - Series 1	OSP - Series 2
Issue Date	17/07/2008	30/09/2010
Nominal Amount	EUR 150 000 000	EUR 250 000 000
ISIN	PTBP14OE0006	PTBBRHOE0024
Maturity Date	15/06/2016	30/09/2017
Rating (Moody's/S&P/Fitch)	-/AAA/-	-/A/-
Reimbursement	At maturity	At maturity
Interest Payment frequency	Quarterly	Quarterly
Coupon	Euribor 3 m - 0.004%	Euribor 3 m + 0.4%
Repurchases	-	EUR 250 000 000

At June 30, 2013 and at December 31, 2012 the cover pool allocated to bonds over the public sector amounted to 693 605 t. euro and 686 846 t. euro, of which 691 441 t. euro and 660 991 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 (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (Note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in the first half of 2013 were as follows:

	Deposit Certificates	Commercial Paper	Covered Bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at December 31, 2012	9	19 889	1 572 400	1 512 486	115 444	438 675	3 658 903
Bonds issued during the year		4 907		41 030		49 418	95 355
Bonds redeemed	(9)	(19 889)		(791 329)	(27 579)	(364 219)	(1 203 025)
Repurchases (net of resales)			(11 650)	119 121	12 135	139 620	259 226
Exchange difference				(4 328)		128	(4 200)
Balance at June 30, 2013		4 907	1 560 750	876 980	100 000	263 622	2 806 259

The changes in the bonds issued by the BPI Group in 2012 were as follows:

	Deposit Certificates	Commercial Paper	Covered Bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at December 31, 2011	27	29 716	2 615 500	2 725 606	607 313	542 110	6 520 272
Bonds issued during the year		19 889	800 000	54 739		62 767	937 395
Bonds redeemed	(18)	(29 716)	(1 000 000)	(1 404 053)	(875 217)	(258 320)	(3 567 324)
Repurchases (net of resales)			(843 100)	143 298	383 498	92 244	(224 060)
Exchange difference				(7 104)	(150)	(126)	(7 380)
Balance at December 31, 2012	9	19 889	1 572 400	1 512 486	115 444	438 675	3 658 903

Bonds issued by the BPI Group at June 30, 2013, by maturity date, are as follows:

	Maturity					
	2013	2014	2015	2016-2019	> 2019	Total
Commercial Paper						
EUR	4 907					4 907
	4 907					4 907
Covered Bonds						
EUR			835 750	725 000		1 560 750
			835 750	725 000		1 560 750
Fixed rate bonds						
EUR	206 861	370 956	104 078	110 905	20 000	812 800
CHF	745					745
USD	17 569	9 163				26 732
CAD	5 789					5 789
JPY					30 914	30 914
	230 964	380 119	104 078	110 905	50 914	876 980
Variable rate bonds						
EUR		100 000				100 000
		100 000				100 000
Variable income bonds						
EUR	69 639	108 057	14 289	46 824		238 809
USD		1 713	12 989	10 111		24 813
	69 639	109 770	27 278	56 935		263 622
Total	305 510	589 889	967 106	892 840	50 914	2 806 259

Bonds issued by the BPI Group at December 31, 2012, by maturity date, are as follows:

	2013	2014	2015	2016-2019	> 2019	Total
Deposit Certificates						
EUR	9					9
	9					9
Commercial Paper						
EUR	19 889					19 889
	19 889					19 889
Covered Bonds						
EUR			847 400	725 000		1 572 400
			847 400	725 000		1 572 400
Fixed rate bonds						
EUR	761 751	377 644	65 008	112 871	20 000	1 337 274
CHF	762					762
USD	108 523	9 618				118 141
CAD	21 101					21 101
JPY					35 208	35 208
	892 137	387 262	65 008	112 871	55 208	1 512 486
Variable rate bonds						
EUR	10 950	100 000				110 950
USD	4 494					4 494
	15 444	100 000				115 444
Variable income bonds						
EUR	260 422	121 543	30 683	8 023		420 671
USD	3 380	1 698	12 926			18 004
	263 802	123 241	43 609	8 023		438 675
Total	1 191 281	610 503	956 017	845 894	55 208	3 658 903

4.19. Financial liabilities relating to transferred assets

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Liabilities relating to assets not derecognised in securitisation operations (Note 4.7)		
Loans		
Housing loans	4 893 210	4 996 234
Loans to SME's	3 311 800	3 385 632
Liabilities held by the BPI Group	(6 725 965)	(6 790 808)
Accrued costs	1 684	2 898
Commission relating to amortised cost (net)	(2 770)	(2 972)
	1 477 959	**1 590 984**

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.

In December 2007 the Bank sold part of the highest risk bonds issued under the housing loan securitisation operations, usually referred to as equity pieces, having thus ceded part of the benefits and risks of these transactions. The impact of this operation on liabilities is shown in the table above. The assets and liabilities relating to these operations were derecognised by the percentage ceded, and the difference to the sale amount was recognised in the statement of income. In 2012 Banco BPI repurchased from the Banco BPI Pension Fund the bonds sold and so Banco BPI started to recognise the full amount of the risk / benefit relating to the housing loan securitisation operations. The impact of the repurchase was recognised in the statement of income in 2012 (Note 4.40).

On February 11, 2011 Banco BPI launched its second small and medium companies 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)	Guarantee	Spread / Fixed rate
▪ Class A Notes	1 819 400	1.81	A/A	Without guarantee	0.15%
▪ Class B Notes	1 317 500	5.28	nr	Without guarantee	0.10%
▪ Class D Notes	174 900	5.28	nr	Without guarantee	Residual interest
Total of the issues	3 311 800				
Liabilities held by BPI Group	(3 311 800)				
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 [1]
▪ Class A Notes	430 808	6.37	Ba1/A-/A	0.14%
▪ Class B Notes	9 116	6.37	Ba2/BBB-/A	0.17%
▪ Class C Notes	8 287	6.37	B1/BB-/BBB	0.27%
▪ Class D Notes	6 906	6.37	B3/B/BB	0.47%
▪ Class E Notes	7 282	6.37	nr/nr/nr	Residual Interest
Total of the issues	462 398			
Other funds	3			
Liabilities held by BPI Group	(85 243)			
Total	377 158			

[1] Until the date of the call option (September 2014); after this date, if the option is not exercised, the spread doubles.

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 [1]
▪ Class A1 Notes	5 899	7.67	Ba2/A-/A	0.05%
▪ Class A2 Notes	596 243	7.67	Ba2/A-/A	0.14%
▪ Class B Notes	14 707	7.67	Ba3/BB/BBB	0.17%
▪ Class C Notes	9 540	7.67	B2/B/BB	0.23%
▪ Class D Notes	7 552	7.67	B3/B-/B	0.48%
▪ Class E Notes	7 607	7.67	nr/nr/nr	Residual Interest
Total of the issues	641 549			
Liabilities held by BPI Group	(251 019)			
Total	390 530			

[1] Until the date of the call option (April 2015); after this date, if the option is not exercised, the spread doubles.

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	867 641	8.34	Ba1/A-/A	0.16%
▪ Class B Notes	22 245	8.34	nr/B/BBB	0.17%
▪ Class C Notes	13 227	8.34	nr/B-/BB	0.23%
▪ Class D Notes	11 423	8.34	nr/B-/B	0.48%
▪ Class F Notes	1 251	8.34	nr/nr/nr	Residual interest
Total of the issues	915 787			
Liabilities held by BPI Group	(204 430)			
Total	711 357			

[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.

In December 2008 Banco BPI launched a new series of housing loan securitisation operations in the amount of 1 522 500 t. euro under the name of DOURO Mortgages No. 4, which were settled financially in January, 2009. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (S&P, DBRS)	Spread
▪ Class A Notes	1 182 473	8.16	A-/AA	0.15%
▪ Class B Notes	202 500	22.55	nr/nr	0.20%
▪ Class C Notes	45 000	24.49	nr/nr	0.25%
▪ Class D Notes	22 500	24.74	nr/nr	Residual Interest
Total of the issues	1 452 473			
Liabilities held by BPI Group	(1 452 473)			
Total				

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

On August 6, 2010 Banco BPI launched its fifth housing loan securitisation operation in the amount of 1 421 000 t. euro under the name of DOURO Mortgages No. 5.The operation was issued in 3 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (S&P, DBRS)	Spread
▪ Class A Notes	1 099 000	9.68	A/AA	0.20%
▪ Class B Notes	301 000	25.68	nr/nr	
▪ Class C Notes	21 000	25.62	nr/nr	Residual interest
Total of the issues	1 421 000			
Liabilities held by BPI Group	(1 421 000)			
Total				

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

4.20. Provisions and impairment losses

The changes in provisions and impairment losses of the Group in the first half of 2013 were as follows:

	Balance at Dec. 31, 12	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 13
Impairment losses on loans and advances to credit institutions (Note 4.6)	952		(538)	(394)	(17)	3
Impairment losses on loans and advances to customers (Note 4.7)	783 157	152 088	(4 184)	(37 188)	442	894 315
Impairment losses on financial assets available for sale (Note 4.5)						
Debt instruments	2 588		(996)		530	2 122
Equity instruments	46 089	12		(46)	7	46 062
Other securitites	15 068	815				15 883
Loans and other receivables	19 976	1 262		(31)	(1 035)	20 172
Impairment losses on other assets (Note 4.13)						
Tangible assets held for sale	64 707	15 807	(5 883)	(2 553)		72 078
Debtors, other applications and other assets	395	8	(163)			240
Impairment losses and provisions for guarantees and commitments	48 106	2 681	(3)		94	50 878
Other provisions	90 292	3 198	(2 962)	(20 226)	8 487	78 789
	1 071 330	**175 871**	**(14 729)**	**(60 438)**	**8 508**	**1 180 542**

Utilisation of impairment losses on loans and advances to customers in the first half of 2013 corresponds to credit write-offs.

The changes in provisions and impairment losses of the Group in the first half of 2012 were as follows:

	Balance at Dec. 31, 11	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 12
Impairment losses on loans and advances to credit institutions	3	960			35	998
Impairment losses on loans and advances to customers	676 251	155 901	(20 107)	(94 744)	2 533	719 834
Impairment losses on financial assets available for sale						
Debt instruments	2 607	16 145				18 752
Equity instruments	45 189	580			22	45 791
Other securitites	3 571	389				3 960
Loans and other receivables	18 383	1 251			1	19 635
Impairment losses on financial assets held to maturity						
Debt instruments	117 733			(117 733)		
Impairment losses on other assets						
Tangible assets held for sale	54 663	20 049	(12 231)	(2 728)		59 753
Debtors, other applications and other assets	381	31	(1)	(31)		380
Impairment losses and provisions for guarantees and commitments	35 009	10 663			774	46 446
Other provisions	93 179	7 444	(104)	(5 464)	2 278	97 333
	1 046 969	**213 413**	**(32 443)**	**(220 700)**	**5 643**	**1 012 882**

Utilisation of impairment losses on loans and advances to customers in the first half of 2012 includes 33 347 t. euro of write-offs, 233 t. euro of loans sold, and 61 397 t. euro of impairment utilisation on sovereign debt securities issued by Greece under the agreement on the private sector involvement in the restructuring of Greek Government debt, the Bank having received new Greek sovereign securities and utilised the impairment losses recorded in the second half of 2011 (Note 4.48).

In the first half of 2012 the BPI Group recognized impairment losses of 16 102 t. euro on the new securities issued by Greece recorded in the Financial assets available for sale portfolio. In the second half of 2012 these securities were all sold. At the time of the sale, impairment of 2 443 t.euro was used and the remaining amount was annulled (Note 4.5).

Utilization of Impairment losses on financial assets held to maturity in the first half of 2012 relates to the exchange of securities under the terms of the agreement on the private sector involvement in the restructuring of Greek Government debt, BPI Vida e Pensões having received the new securities issued by Greece and utilised the impairment on securities held to maturity recorded in the second half of 2011 (Note 4.48).

4.21. Technical provisions

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Immediate Life Annuity / Individual	5	5
Immediate Life Annuity / Group	26	27
Family Savings	37	38
BPI New Family Savings	1 246 835	1 167 097
BPI Retirement Guaranteed	122 420	112 092
BPI Retirement Savings	860 013	863 190
BPI Non Resident Savings	113 595	103 005
Planor	5 287	5 236
PPR BBI Life	2 815	3 394
Savings Investment Plan / Youths	1 107	1 187
South PPR	82	93
	2 352 222	**2 255 364**

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, 13	Dec. 31, 12
Current Tax Liability		
Corporate income tax payable	17 226	29 229
Other	596	1 132
	17 822	30 361
Deferred Tax Liability		
On temporary differences	44 454	89 815
	44 454	89 815
	62 276	**120 176**

Details of the deferred tax liability are presented in Note 4. 44.

4.23. Contingent convertible subordinated bonds

This caption is made up as follows:

	Jun. 30, 13				Dec. 31, 12			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Contingent convertible subordinated bonds								
EUR	1 200 000	(200 000)	1 000 000	8.5%	1 500 000	(300 000)	1 200 000	8.5%
	1 200 000	**(200 000)**	**1 000 000**		**1 500 000**	**(300 000)**	**1 200 000**	
Accrued interest			41 633				279	
			1 041 633				1 200 279	

In the beginning of June, 2012 Banco BPI's Board of Directors approved the Recapitalisation Plan for reinforcing Core Tier 1 own funds, in order to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal (Note 4.50),

The Recapitalisation Plan, in the amount of 1 500 000 t. euro, includes:

- a share capital increase of 200 000 t. euro, with shareholders' pre-emptive rights;
- the issuance of debt instruments eligible for own funds, subscribed for by the Portuguese State, in the amount of 1 300 000 t. euro.

On June 29, 2012 the Portuguese State subscribed for debt instruments eligible for Core Tier 1 own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 t. euro. The features of these instruments are defined in Law 63 – A/2008 of November 24, as republished by Law 4/2012 of January 11 (Bank Recapitalisation Law), in Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of State and Finance of June 28, 2012. The investment period of the instrument is five years as from the date of issue, and the Recapitalisation Plan of the Bank establishes partial repayments over the period of the instrument. On August 10, 2012 the Bank completed the capital increase of 200 000 t. euro, with shareholders' preemptive rights (Note 4.27). The amount received was used in August 13, 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 t. euro.

On December 4, 2012 the Bank reimbursed to the Portuguese State 100 000 t. euro relating to contingent convertible subordinated bonds, reducing the nominal amount to 1 200 000 t. euro.

On March 13, 2013 the Bank reimbursed to the Portuguese State 200 000 t. euro relating to contingent convertible subordinated bonds, reducing the nominal amount to 1 000 000 t. euro.

The contingent convertible subordinated bonds bear interest payable half yearly, at an effective annual interest rate of 8.5% in the first year, increasing 0.25% per year in the first two years and 0.5% in each of the following years.

These instruments are convertible into Banco BPI shares on the occurrence of any one of the events listed in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of State and Finance of June 28, 2012. Briefly the conversion events are as follows:

- termination of the term of 5 years without the instruments having been fully repurchased (under Section 8.5. of the Terms and Conditions);
- occurrence of an event qualified as a material breach under Section 8.3. of the Terms and Conditions;
- occurrence of the event defined in Section 9.1. of the Terms and Conditions (viability event);
- occurrence of the event defined in Section 10 of the Terms and Conditions (regulatory event – the instrument is no longer qualified as Core Tier I) and the other alternatives provided for under this Section are not possible;
- occurrence of an event qualified as change in control under Section 9.2. of the Terms and Conditions;
- exclusion of Banco BPI shares from listing on a regulated market, under Section 9.2. of the Terms and Conditions.

If the conversion into Banco BPI shares referred to above occurs, it will be made through delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) the definition of the Conversion Price contained in Section 1.1. of the Terms and Conditions states that the price depends on the price / market value of the shares in the period prior to the occurrence of the event and (ii) the determination of the number of shares is made based on the Conversion Price.

The Terms and Conditions included an additional conversion event (if on October 1, 2012 the amount of instruments issued exceeds 1 300 000 t. euro), which will no longer occur because, as mentioned above, in August, 2012, Banco BPI repurchased 200 000 t.euro of these instruments, reducing on that date the amount to 1 300 000 t.euro.

4.24. Other Subordinated debt and participating bonds

This caption is made up as follows:

	Jun. 30, 13				Dec. 31, 12			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Other subordinated debt								
Perpetual bonds								
EUR	420 000	(360 000)	60 000	1.7%	420 000	(360 000)	60 000	1.7%
JPY	57 964	(57 964)		2.9%	66 015	(66 015)		2.9%
	477 964	**(417 964)**	**60 000**		**486 015**	**(426 015)**	**60 000**	
Other Bonds								
EUR	404 200	(324 152)	80 048	1.7%	404 200	(312 237)	91 963	1.3%
JPY	135 250	(135 250)		2.8%	154 036	(154 036)		2.8%
	539 450	**(459 402)**	**80 048**		**558 236**	**(466 273)**	**91 963**	
	1 017 414	**(877 366)**	**140 048**		**1 044 251**	**(892 288)**	**151 963**	
Participating bonds								
EUR	28 081	(24 063)	4 018	1.2%	28 081	(23 962)	4 119	1.2%
	28 081	**(24 063)**	**4 018**		**28 081**	**(23 962)**	**4 119**	
Accrued interest			275				200	
Correction of the amount of hedged liabilities			9				51	
Premiums (net)							(2)	
			284				249	
			144 350				156 331	

In 2012 Banco BPI repurchased part of the BPI STEP-UP 16/04/2017 and BPI RENDIMENTO MAIS 2007 subordinated issuances (Note 4.40).

The participating bonds can be redeemed at par at the request of the participants with the approval of the Bank or at the initiative of the Bank with six months' notice.

The changes in debt issued by the BPI Group in the first half of 2013 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2012	60 000	91 963	4 119	156 082
Repurchases (net of resales)		(11 915)	(101)	(12 016)
Balance at June 30, 2013	60 000	80 048	4 018	144 066

The changes in debt issued by the BPI Group during 2012 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2011	60 000	149 467	4 595	214 062
Repurchases (net of resales)		(57 504)	(476)	(57 980)
Balance at December 31, 2012	60 000	91 963	4 119	156 082

Perpetual and other bonds issued by the BPI Group at June 30, 2013 are made up as follows, by residual term to maturity:

	2013	2014	2015	2016-2019	> 2019	Total
Perpetual Bonds						
EUR [1]	60 000					60 000
Other Bonds						
EUR	2 369			77 679		80 048
Total	62 369			77 679		140 048

[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, 2012 are made up as follows, by residual term to maturity:

	2013	2014	2015	2016-2019	> 2019	Total
Perpetual Bonds						
EUR [1]	60 000					60 000
Other Bonds						
EUR	2 369			89 594		91 963
Total	62 369			89 594		151 963

[1] In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

The participating bonds can be redeemed at par at the request of the participants with the approval of the Bank or at the initiative of the Bank with six months' notice.

4.25. Other liabilities

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Creditors and other resources		
Creditors for futures operations	6 941	5 419
Consigned resources	27 365	28 783
Captive account resources	7 032	7 670
Subscription account resources		23
Guarantee account resources	11 448	12 670
State administrative sector		
Value Added Tax (VAT) payable	14 498	7 274
Tax withheld at source	22 330	30 980
Social Security contributions	4 496	7 230
Other	259	175
Contributions to other health systems	1 408	1 420
Creditors for factoring contracts	7 564	8 401
Creditors for the supply of assets	3 777	2 810
Contributions owed to the Pension Fund (Note 4.26)		
Pensioners and employees		500
Directors		2 475
Other creditors	152 703	167 064
Deferred costs	(281)	(95)
	259 540	282 799
Accrued costs		
Creditors and other resources	412	366
Personnel costs	105 409	90 162
General administrative costs	45 436	35 535
Contributions to the Investors Indemnity System	1 462	
Periodic contribution to the Resolution Fund (Note 4.41)	164	
Others	2 403	2 598
	155 286	128 661
Deferred income		
On guarantees given and other contingent liabilities	4 468	4 874
Others	5 025	4 650
	9 493	9 524
Other accounts		
Foreign exchange transactions pending settlement		7 739
Securities operations pending sesettlement - stock exchange operations	13 327	
Securities operations pending sesettlement - non stock exchange operations	12 628	
Liabilities pending settlement	114 625	177 968
Other operations pending settlement	46 597	32 462
	187 177	218 169
	611 496	**639 153**

At June 30, 2013 and December 31, 2012 the caption "Other creditors" included 47 489 t. euro and 59 400 t. euro, respectively, relating to the unrealized subscribed capital of Fundo Reestruturação Empresarial, FCR.

At June 30, 2013 and December 31, 2012 the caption "Accrued costs – Personnel costs" included 22 525 t. euro and 21 188 t. euro, respectively, relating to long service premiums.

The main actuarial and financial assumptions used to calculate the long service premiums liability are as follows:

	Assumptions	
	Jun. 30, 13	**Dec. 31, 12**
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 1 year TV 88/90-W -1 year	TV 73/77-M - 1 year TV 88/90-W -1 year
Financial assumptions:		
Discount rate	4.50%	5.50%
Beginning of the period	4.50%	4.50%
End of the period		
Salary grow th rate [2]		
Beginning of the period	1.50%	2.00%
End of the period	1.50%	1.50%
Mandatory promotions due to antiquity and seniority	0.5%	0.5%

[1] The life expectancy considered was one year greater than the mortality table used.

[2] Up to the first half of 2012, inclusive, the estimated salary evolution, given the mandatory promotions due to antiquity and the seniority payments, were considered by the Bank in the pensionable salary growth rate used to calculate the pension liability. As from the end of 2012, the mandatory promotions due to antiquity and the seniority payments were considered autonomously, directly in the evolution of the estimated salaries. Thus, the pensionable salary growth rate was adjusted accordingly. This change did not cause a decrease in the past service liability.

The changes in the long service premiums liability in the first half of 2013 and 2012 were as follows:

	Jun. 30, 13	Dec. 31, 12
Long service premiums at the beginning of the year	21 188	24 031
Personnel costs:		
Current service cost	1 144	1 686
Interest cost	521	1 345
Actuarial gains and losses		
Changes in assumptions		2 634
Single Social Tax burden		5 435
Others		(222)
Long service premium payments	(328)	(13 721)
Long service premiums at the end of the year	**22 525**	**21 188**

In December 2012 Banco BPI made an advanced payment of the proportional part of the long service premium in progress, relating to the 15, 25 and 30 years of banking service corresponding to the time of good and effective service in the banking sector at December 31, 2012, in the amount of 11 035 t. euro (Note 2.7).

The caption “Stock exchange transactions pending settlement” at June 30, 2013 refers to the acquisition of securities only settled in the following month.

The caption “Non stock exchange transactions pending settlement” at June 30, 2013 refers to the acquisition of securities only settled in the following month.

The caption “Liabilities pending settlement”, at June 30, 2013 and at December 31, 2012 includes:

- 68 564 t. euro and 72 274 t. euro, respectively, relating to electronic interbank transfer transactions;
- 14 997 t. euro and 12 660 t. euro, respectively, relating to ATM/POS transactions to be settled with SIBS;
- 5 001 t. euro and 36 t. euro, respectively, relating to transfers made through the “SPGT”.

The caption “Other operations pending settlement”, at June 30, 2013 and at December 31, 2012 includes:

- 40 227 t. euro and 34 203 t. euro, respectively, relating to transfers under SEPA (*Single Euro Payment Area*);
- 4 524 t. euro and 2 216 t. euro, respectively, relating to the settlement of payments and receipts of Leasing/ALD/Factoring operations.

4.26. Liability for pensions and other benefits

The past service liability relating to pensioners and personnel that are, or have been, employees of BPI Group companies[1], and are covered by pension Funds, is calculated in accordance with IAS 19.

Benefits established by the BPI Group are defined benefits based on the last salary earned and the length of service, involving the payment of benefits in the event of retirement due to length of service or disability, death and long service premiums. The rules for calculating the benefits result mainly from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector, there being a restricted group of management employees, however, that is also covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law 1-A/2011 of 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 (Acordo Colectivo de Trabalho do Sector Bancário), the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of the past service liability remained unchanged at 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 with 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 those liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution on the retirement and survivor pensions for the Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pensions due to the family of current retired employees, in which the conditions for granting the pensions occurred as from 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 (Instituto de Seguros de Portugal): male population: TV 73/77 less 1 year; female population: TV 88/90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of calculation of the definitive amount of the liability transferred, made by an independent expert entity hired for the 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. in the amount of the liability and 1 688 t. euro in the value

[1] Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões)

of the fund. The positive difference between these amounts, totalling 145 t. euro, was recorded in 2012 in the caption "Operating gains and losses" (Note 4.41).

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 main actuarial assumptions used to calculate the pension liability are as follows:

	Jun. 30, 13	Dec. 31, 12
Demographic assumptions:		
Mortality table [1]	TV 73/77- M - 1 Year TV 88/90- W -1 Year	TV 73/77- M - 1 Year TV 88/90- W -1 Year
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By Mortality	By Mortality
Financial assumptions:		
Discount rate of Banco BPI		
Beginning of the period	4.50% [2]	5.50% [3]
End of the period	4.50% [2]	4.00% [2]
Discount rate of the other companies		
Beginning of the period	4.50%	5.50%
End of the period	4.50%	4.50%
Pensionable salary increase rate [4]	1.50%	1.50%
Mandatory promotions due to antiquity and seniority payments effect	0.50%	0.50%
Pension increase rate	1.00%	1.00%

[1] The life expectancy considered was one year greater than the mortality table used.

[2] A discount rate of 4.83% for current employees and 4.00% for pensioners was considered, which is similar to that which would be obtained if a single discount rate of 4.5% were used for the entire population.

[3] A discount rate of 5.83% for current employees and 5.00% for pensioners which is similar to that which would be obtained if a single discount rate of 5.5% were used for the entire population.

[4] Up to the first half of 2012, inclusive, the estimated salary evolution, given the mandatory promotions due to antiquity and the seniority payments, were considered by the Bank in the pensionable salary increase rate used to calculate the pension liability. As from the end of 2012, the mandatory promotions due to antiquity and the seniority payments were considered autonomously, directly in the evolution of the estimated salaries. Thus, the pensionable salary increase rate was adjusted accordingly. This change did not cause a decrease in the past service liability.

The actual results obtained in relation to the main financial assumptions were:

	Jun. 30, 13	Dec. 31, 12
Pensionable salary increase rate	[1]	1.80% [2]
Pension increase rate	[1]	0.00% [3]
Pension fund income rate		
Banco BPI	6.90% [4]	20.25%
Other companies	0.81% [4]	8.66%

[1] Solely determined 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 antiquity and seniority payments and does not reflect new hires and exits).

[3] Corresponds to the ACTV table update rate.

[4] In relation to the first half of 2013, 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, 13	Dec. 31, 12
Salary increase rate for purposes of calculating the Social Security pension[1]	2.50%	2.50%
Salary revaluation rate for purposes of calculating the Social Security pension	1.00%	1.00%
Social Security pension increase rate	1.00%	1.00%
Sustainability factor	Average increase in life expectancy of 0.1 years per year	

[1] Pensionable salary for Social Security includes all wages, while the pensionable salary under ACT consists only to the portion of the level base salary and seniority payments, with an estimated evolution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

The past service and survivor pension plan liability at June 30, 2013 was computed based on estimates from the amounts included in the Actuarial Evaluation as of December 31, 2012.

At December 31, 2012 the number of pensioners and employees covered by the pension plans funded by the pension funds was as follows:

	Dec. 31, 12
Retired pensioners	6 889
Survivor pensioners	1 231
Current employees	6 142
Former employees (clauses 137º A and 140 of the ACTV)	3 116
	17 378

The past service liability for pensioners and employees of the BPI Group and respective coverage by the Pension Fund at June 30, 2013 and at December 31, 2012 are as follows:

	Jun. 30, 13	Dec. 31, 12
Total past service liability		
Liability for pensions under payment	514 276	511 758
Of which: [increase in the liability resulting from early retirements during the period]	[3 747]	[27 871]
Past service liability of current and former employees	433 883	425 332
	948 159	**937 090**
Net assets of the pension funds	1 045 460	986 874
Contributions to be transferred to the Pension Fund		500
Excess/(Insufficient) cover	97 301	50 284
Degree of coverage	110%	105%

The average duration of the pension liability of Banco BPI employees is 18 years, including both current employees and pensioners.

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, 2013, would result in the following impact on the present value of the past service liability [(1)] [(2)]:

	(decrease)/increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	-4.2%	(39 256)
Decrease by 0.25%	4.8%	44 835
Change in the pensionable salary increase rate [3]		
Increase by 0.25%	1.7%	16 013
Change in the pension increase rate [4]		
Increase by 0.25%	6.3%	59 058

[1] Only the pensions attributed to the employees of Banco BPI were considered, the liability of which represents about 95% of the Group's pension liabilities.

[2] The same calculation method and assumptions used in the calculation of the liabilities was used, only varying the assumptions under analysis.

[3] The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.

[4] 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.

On December 31, 2012 the Bank recorded in the caption "Other Liabilities – Contributions to the Pension Fund" (Note 4.25) the amount of 500 t. euro relating to the contribution for 2012 made in 2013, after which the degree of coverage of the liability at that date will be 105%. Even without the above mentioned contribution the degree of coverage was already higher than 100%.

Evolution of the degree of coverage of the liability in the last five years was as follows:

	2013	2012	2011	2010	2009
Total past service liability	948 159	937 090	835 767	2 306 127	2 274 641
Net assets of the Pension Fund	1 045 460	986 874	801 250	2 409 393	2 463 809
Contributions to be transferred to the Pension Fund		500	37 888	1 375	18
Excess/ (insufficient) cover	97 301	50 284	3 371	104 641	189 186
Degree of coverage	110%	105%	100%	105%	108%

The changes in the present value of the past service liability in the first half of 2013 and 2012 were as follows:

	Jun. 30, 13	Dec. 31, 12
Liability at the beginning of the period	937 090	835 767
Current cost:		
Of the BPI Group	(176)	1 339
Of the employees	1 795	3 543
Interest cost	20 265	44 022
Actuarial (gain) and loss in the liability		80 147
Early retirements	3 747	27 871
Changes in the conditions of the Pension Plan - Death subsidy	(3 317)	(38 718)
Pensions payable (estimate)	(11 245)	(18 310)
Partial transfer of retired and pensioners pension liabilities to the Social Security		1 543
Plan conversion of BPI Vida e Pensões		(114)
Liability at the end of the period	**948 159**	**937 090**

The legal framework of the death subsidy payable by the Social Security was amended by Decree Law 13/2013 of January 25, in force as from February 1, which has reduced the maximum limit for death subsidies, from 6 to 3 times the IAS (social support index). Since the banking sector death subsidy is a cost of the banks, and in accordance with the Banking Sector Collective Labour Agreement it is calculated in accordance with Social Security legislation, Decree Law 13/2013 established a change in the conditions of the postretirement benefit plan liability of Banco BPI. The impact of this change is fully recognised in the statement of income for the year in which the change occurred.

The changes in the pension funds in the first half of 2013 and 2012 were as follows:

	Jun. 30, 13	Dec. 31, 12
Net assets of the Pension Fund at the beginning of the period	986 874	801 250
Current cost:		
Of the BPI Group	500	37 888
Of the employees	1 795	3 543
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	22 437	47 158
Deviation of return on assets	44 680	113 350
Pensions paid by the Pension Funds	(10 826)	(17 716)
Partial transfer of retired personnel and pensioners' pension liabilities to the Social Security		1 688
Plan conversion of BPI Vida e Pensões		(287)
Net assets of the Pension Fund at the end of the period	**1 045 460**	**986 874**

The estimated contributions to the pension plan to be made by employees in 2013 amounted to 3 577 t.euro. No contributions are expected to be made by the BPI Group.

At June 30, 2013 and December 31, 2012 the assets of the Banco BPI Employees' Pension Funds were as follows:

	Jun. 30, 13	Dec. 31, 12
Liquidity	19.4%	2.8%
Fixed rate bonds		
Listed	7.3%	29.5%
Floating rate bonds		
Not listed	11.4%	6.5%
Portuguese shares		
Listed	22.0%	20.4%
Not listed	3.5%	3.9%
Foreign shares		
Listed	1.2%	1.2%
Real Estate	34.0%	34.6%
Others		
Listed	1.1%	1.2%
	100.0%	**100.0%**

Contributions to the Pension Funds in the first half of 2013 and in 2012 were paid in cash.

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 2013 were as follows:

	Dec. 31, 12	Changes in fair value	Jun. 30, 13
Fair value of the plan assets:			
Financial instruments issued by the BPI Group			
Shares	7 499	(278)	7 221
Bonds	60 077	(3)	60 074
	67 576	(281)	67 295
Premises used by the BPI Group	215 052	(3 286)	211 766
	282 628	**(3 567)**	**279 062**

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 2012 were as follows:

	Dec. 31, 11	Aquisitions	Changes in fair value	Dec. 31, 12
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Shares	2 719	2 300	2 480	7 499
Bonds	60 088		(11)	60 077
	62 807	2 300	2 469	67 576
Premises used by the BPI Group	223 856		(8 804)	215 052
	286 663	**2 300**	**(6 335)**	**282 628**

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 2008 to 2012 and in the first half of 2013 were as follows:

Amount at December 31, 2008	**(501 846)**
Amortisation of deviations outside the corridor	10 743
Adjustment in the ACTV Table below the estimate	17 385
Change in the actuarial assumptions	84 083
Deviation in pension fund income	194 897
Deviation in pensions paid	(1 601)
Deviation in mortality	(5 545)
Others	(4 794)
Amount at December 31, 2009	**(206 678)**
Amortisation of deviations outside the corridor	568
Adjustment in the ACTV Table below the estimate	17 144
Deviation in pension fund income	(59 904)
Deviation in pensions paid	714
Deviation in mortality	(6 621)
Others	10
Amount at December 31, 2010 Proforma	**(254 767)**
Adjustment in the ACTV Table below the estimate	39 559
Change in the actuarial assumptions	181 228
Deviation in pension CGA[2]	16 370
Deviation in pension fund income	(300 665)
Deviation in pensions paid	(1 098)
Others	2 668
Amount at 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 (Note 4.31) [3]	**(123 167)**
Adjustment in the ACTV Table below the estimate	26 181
Change in the actuarial assumptions	
Discount rate and pension increase rate	(98 212)
Others [4]	(9 026)
Deviation in pension fund income	113 349
Deviation in pensions paid	597
Others [5]	885
Amount at December 31, 2012 (Note 4.31)	**(89 393)**
Deviation in pension fund income	44 680
Deviation in pensions paid	420
Amount at June 30, 2013 (Note 4.31)	**(44 293)**

[1] Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.

[2] Change in the calculation and payment rules of CGA – Caixa Geral de Aposentações pensions, which had the effect of reducing the amount of pensions payable by the Bank relating to employees for which years of service in the Public Sector were recognised.

[3] Excluding deviations relating to transferred liabilities.

[4] Includes 7 426 t. euro relating to deviations caused by changes in the salary growth calculating methodology.

[5] Includes (25) t. euro relating to BPI Vida e Pensões.

The consolidated financial statements as of June 30, 2013 and 2012 include the following amounts relating to coverage of the pension liability, in the captions "Interest, financial gain and loss with pensions" (Note 4.40), "Operating gains and losses" (Note 4.41) and "Personnel costs" (Note 4.42):

	Jun. 30, 13	Jun. 30, 12
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	20 265	22 280
Income on Plan assets computed with the discount rate	(22 437)	(22 732)
	(2 172)	**(452)**
Personnel costs		
Current service cost	(176)	751
Increase in liability for early retirements	3 747	21 000
Compensation due to early retirements	338	4 000
Change in the pension plan conditions		
Death subsidy (Note 4.42)	(3 317)	(32 329)
	592	**(6 578)**
Operating (gains) / losses [1]		**(145)**

[1] Amount relating to the transfer to the Social Security of the liability for costs with the retirement and survivor pension liabilities of retired personnel and pensioners.

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:

	Assumptions	
	Jun. 30, 13	**Dec. 31, 12**
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 1 year TV 88/90-W - 1 year	TV 73/77-M - 1 year TV 88/90-W - 1 year
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the period	4.50%	5.50%
End of the period	4.50%	4.50%
Pensionable salary increase rate	1.00%	1.00%
Pension increase rate [2]	1.00%	1.00%

[1] The life expectancy considered was one year greater than the mortality table used.

[2] Increase equal to the variation of the Consumer Index Prices rate in accordance with the rules of the pension plan.

The actual results obtained in relation to the main financial assumptions were as follows:

	Jun. 30, 13	Dec. 31, 12
Pensionable salary increase rate	[1]	0.00% [2]
Pension increase rate [3]	[1]	3.70%
Pension fund income rate	0.80% [4]	9.05%

[1] Determined solely on an annual basis.

[2] Calculated based on the changes in pensionable salaries of Directors serving in the Group companies in the beginning and end of the year.

[3] Corresponds to the variation rate of the IPC in accordance with the pension plan rules.

[4] Rate in relation to the first half of 2013, not annualized.

At June 30, 2013 and at December 31, 2013 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	Jun. 30, 13	Dec. 31, 12
Present value of the past service liability		
Liability for pensions under payment	16 305	16 636
Past service liabilty relating to the current and former directors	19 700	18 477
	36 005	**35 113**
Net assets of the pension fund	34 967	32 638
Contributions to be transferred to the Pension Fund		2 475
Excess/(Insufficient) cover	(1 038)	
Degree of coverage	97%	100%

On December 31, 2012 the Bank recorded in the caption “Other Liabilities - Contributions to the Pension Fund” (Note 4.25) the amount of 2 475 t. euro relating to the contribution for 2012 made in 2013, after which the degree of coverage of liabilities in that date will be 100%.

The changes in the degree of coverage of the liabilities in the last five years were as follows:

	2013	2012	2011	2010	2009
Total past service liability	36 005	35 113	31 141	29 402	27 664
Net assets of the Pension Fund	34 967	32 638	28 335	29 477	26 564
Contributions to be transferred to the Pension Fund		2 475	2 806		1 308
Excess/ (insufficient) cover	(1 038)			75	208
Degree of coverage	97%	100%	100%	100%	101%

The changes in the present value of the past service liability of the plan in the first half of 2013 and in 2012 were as follows:

	Jun. 30, 13	Dec. 31, 12
Liability at the beginning of the period	35 113	31 141
Current service cost	772	1 324
Interest cost	810	1 776
Actuarial (gain)/loss in the liability		2 174
Pensions payable (estimate)	(690)	(1 302)
Liability at the end of the period	**36 005**	**35 113**

The changes in the pension fund in the first half of 2013 and in 2012 were as follows:

	Jun. 30, 13	Dec. 31, 12
Net assets of the Pension Fund at the beginning of the period	32 638	28 335
Contributions made	2 475	2 806
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	722	1 704
Deviation of return on assets	(462)	861
Pensions paid by the Pension Fund	(406)	(1 068)
Net assets of the Pension Fund at the end of the period	**34 967**	**32 638**

At June 30, 2013 and at December 31, 2012 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	Jun. 30, 13	Dec. 31, 12
Liquidity	12.0%	11.7%
Fixed rate bonds	45.0%	43.7%
Indexed rate bonds	6.0%	7.6%
Shares	32.0%	34.8%
Real Estate	2.0%	1.7%
Others	3.0%	0.5%
	100.0%	**100.0%**

Contributions to the Pension Funds in the first half of 2013 and in 2012 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 2008 to 2012 and in the first half of 2013 were as follows:

Amount at December 31, 2008	**(430)**
Deviation in pension fund income	588
Change in actuarial assumptions	1 020
Deviation in pensions paid	97
Others	(488)
Amount at December 31, 2009	**787**
Amortisation of deviations outside the corridor	(29)
Actuarial gains and (losses)	424
Deviation in pension fund income	(801)
Deviation in pensions paid	134
Amount at December 31, 2010 Proforma	**515**
Deviation in pension fund income	(1 927)
Change in actuarial assumptions	994
Deviation in pensions paid	69
Amount at December 31, 2011	**(349)**
Deviation in pension fund income	859
Change in actuarial assumptions	(1 716)
Deviation in pensions paid	232
Others	(458)
Amount at December 31, 2012 (Note 4.31)	**(974)**
Deviation in pension fund income	(462)
Deviation in pensions paid	282
Amount at June 30, 2013 (Note 4.31)	**(1 154)**

The consolidated financial statements as of June 30, 2013 and 2012 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 4.40) and "Personnel costs" (Note 4.42):

	Jun. 30, 13	Jun. 30, 12
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	810	874
Income on Plan assets computed with the discount rate	(722)	(863)
	88	**11**
Personnel costs		
Current service cost	772	662
Past service cost		1
Change in the pension plan conditions	3	2
	775	**665**

4.27. Share capital

The Shareholders' General Meeting of April 24, 2013 authorised Banco BPI's Board of Directors to do the following, after obtaining all the necessary permissions which, considering the terms and conditions (hereinafter referred to as Terms and Conditions) of the Core Tier 1 Equity Instruments (Contingent convertible subordinated bonds) subscribed for by the Portuguese State in Banco BPI's recapitalization operation, are necessary for that purpose:

a) to purchase treasury shares of up to 10% of Banco BPI's share capital, provided that:
   i) the treasury shares are purchased on a market registered by the Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM), at a price between 120% and 80% of the weighted daily average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext Lisboa - Sociedade Gestora de Mercados Regulamentados, S.A. (Euronext) preceding the date of purchase; or
   ii) the purchases result from assets received in payment agreements, to settle obligations emerging from contracts entered into by Banco BPI, provided that the value attributed, for that purpose, to the shares does not exceed the value determined by application of the criteria defined in (i) above;

b) to sell Banco BPI shares provided that:
   i) the shares and options to purchase shares of Banco BPI are sold to employees and Directors of Banco BPI and subsidiaries, as share-based payments under the terms and conditions established in the Variable Remuneration Program (RVA) regulations;
   ii) the shares sold are delivered to the Portuguese State, in the accordance with and under the terms of the "Alternative Interest Payment Mechanism" established in clause 6 of the Terms and Conditions;
   or
   iii) the shares are sold to third parties under the following conditions:
      1. the shares are sold in a market registered at the Securities Market Commission (CMVM); and
      2. the shares are sold at a price not less than 80% of the weighted average of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext preceding the date of sale;

c) Carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).

The purchases and sales authorized by this decision may be carried out within a period of eighteen months as from its date. This permission, duly adapted, also applies to the acquisition and sale of Banco BPI Shares by Banco Português de Investimento, S.A.

Without affecting the freedom of decision and freedom to act under the above mentioned permissions, the Board of Directors, in carrying them out, must take into account, whenever it considers it necessary based on the circumstances, the terms of European Commission (EC) Regulation 2273/2003 of December 22, 2003, as well as compliance at all times with its Terms and Conditions, especially clause 11.

On July 10, 2012, under the authority introduced into Banco BPI's Statutes at the Shareholders' General Meeting of June 27, 2012, the Board of Directors decided to increase share capital from 990 000 t. euro to 1 190 000 t. euro, in cash and with shareholders' pre-emptive rights, which decision was taken considering the Recapitalisation Plan approved in that Shareholders' General Meeting, aimed at reinforcing Core Tier 1 own funds, in order to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal (Notes 4.23 and 4.50). The share capital increase was made through the issuance of 400 million ordinary shares with no par value, at an issue price of 0.5 euro. The share capital increase was concluded on August 10, 2012, all the shares offered for subscription being fully subscribed for and so Banco BPI's share capital is now 1 190 000 t. euro represented by 1 390 000 nominal dematerialized ordinary shares, with no par value.

On June 27, 2012 the Shareholders' General Meeting approved the conversion of Banco BPI shares into shares with no par value.

Also at the Shareholders' General Meeting held on June 27, 2012:

a) Under the framework of approval of the issuance of financial instruments eligible for Core Tier 1 own funds (Contingent Convertible Subordinated bonds), with a total par value of 1 500 000 t. euro, approval was given for the share capital increases deemed necessary on the occurrence of any conversion event established in the related Terms and Conditions (in accordance with Order 8840-A/2012, of the Portuguese Minister of State and Finance of June 28);

b) Authority was given to the Board of Directors to decide the capital increases necessary to realize the matter established in Section 6.4 of those Terms and Conditions relating to the payment in shares of the remuneration of the above mentioned instruments;

c) It was decided to suppress shareholders' pre-emptive rights in the subscription for the instruments referred to in a) and in the share capital increases referred to in b);

d) Authorisation was given to the Board of Directors to use Banco BPI's treasury shares to pay remuneration of the instruments referred to above.

4.28. Share Premium account

The changes in the share premium account in 2012 was as follows:

Balance at December 31, 2011	128 432
Use of share premiums to cover negative retained earnings	(128 432)
Balance at December 31, 2012	

The Shareholder' General Meeting held on May 31, 2012 approved the use of share premiums of 128 432 t. euro to cover negative retained earnings (Note 4.31).

The balance in the caption "Share Premiums" at June 30, 2013 is zero. In the first half of 2013 there were no changes in the balance of this caption.

In accordance with Ministerial Order 408/99 of June 4, published in Diário da República – 1st B Series, nº 129, the share premium account may not be used to pay dividends or to acquire treasury shares.

4.29. Other equity instruments and treasury shares

These captions are made up as follows:

	Jun. 30, 13	Dec. 31, 12
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2009		7
RVA 2010	109	95
RVA 2011	1	2
RVA 2012	21	14
RVA 2013	10	
Costs of options not exercised (premiums)		
RVA 2007		5 725
RVA 2008	828	828
RVA 2009	814	814
RVA 2010	543	496
RVA 2011	60	89
RVA 2012	598	488
RVA 2013	175	
	3 159	8 558
Treasury shares		
Shares to be made available to Group employees		
RVA 2009		7
RVA 2010	2	4
RVA 2011	2	2
RVA 2012	40	40
Shares hedging RVA options		
RVA 2007	8 076	11 348
RVA 2008	3 045	3 045
RVA 2009	3 147	3 147
RVA 2010	106	118
RVA 2011	2 528	133
RVA 2012	410	428
	17 356	18 272

The caption “Other equity instruments” includes accrued share-based payment program (RVA) costs relating to shares to be made available and options not yet exercised.

Details of the share-based Variable Remuneration Program (RVA) are included in Note 4.49.

The financial statements of the BPI Group as of June 30, 2013 and December 31, 2012 reflect 6 256 820 and 6 555 267 treasury shares, respectively, including 52 087 and 60 256 treasury shares to be made available under the RVA program for which ownership was transferred to the employees on the grant date.

In the first half of 2013 and in 2012 the Bank recorded directly in shareholders’ equity, a loss of 4 990 t. euro and a gain of 1 179 t. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) program.

4.30. Revaluation reserves

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (Note 4.5):		
Debt Instruments		
Securities	(126 428)	(52 155)
Hedging derivatives	(487 703)	(637 218)
Equity Instruments	17 703	17 053
Other	(910)	2 431
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(37 217)	(36 672)
Equity instruments available for sale	(3)	(4)
Legal revaluation reserve	703	703
	(633 855)	**(705 862)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	182 742	244 037
Tax liabilities	(5 213)	(45 789)
	177 529	**198 248**
	(456 326)	**(507 614)**

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”.

4.31. Other reserves and retained earnings

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Legal reserve	86 124	68 377
Merger reserve	(2 463)	(2 463)
Consolidation reserves and retained earnings	551 158	472 617
Other reserves	611 429	456 056
Actuarial deviations		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(45 905)	(90 825)
Taxes related to actuarial deviations	66 796	80 834
Loss on treasury shares	(1 922)	(6 912)
Taxes relating to gain on treasury shares	587	2 029
	1 072 266	**786 175**

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.

The Shareholders’ General Meeting held on May 31, 2012 approved the utilisation of share premiums of 128 432 t. euro and other reserves of 113 632 t. euro to cover negative retained earnings (Note 4.28).

At June 30, 2013 and December 31, 2012 the share premium account and legal reserve of the companies of the BPI Group which, under the applicable regulations, may not be distributed, amounted to 175 928 t. euro and 163 931 t. euro, respectively which, weighted by Banco BPI’s effective participation percentage in these companies, amounted to 81 972 t. euro and 75 833 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, 2013 and December 31, 2012 includes 8 388 t. euro and 5 783 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.

4.32. Minority interests

This caption is made up as follows:

	Balance sheet		Statement of income	
	Jun. 30, 13	Dec. 31, 12	Jun. 30, 13	Jun. 30, 12
Minority shareholders in:				
Banco de Fomento Angola, S.A.	278 969	293 679	38 286	39 308
BPI Capital Finance Ltd	51 157	51 144	467	704
BPI Alternative Fund	7 399	7 874	134	11
Fundo BPI Obrigações Mundiais (ex-Fundo BPI Taxa Variável)	2 111		9	
BPI Dealer - Sociedade financeira de Corretagem (Moçambique), S.A.R.L.		(40)		(2)
BPI (Suisse), S.A.	7	5	2	1
	339 643	**352 662**	**38 898**	**40 022**

Minority interests in BPI Capital Finance at June 30, 2013 and at December 31, 2012 include 51 021 t. euro relating to preference shares:

	Jun. 30, 13			Dec. 31, 12		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
"C" Series Shares	250 000	(198 979)	51 021	250 000	(198 979)	51 021
	250 000	(198 979)	51 021	250 000	(198 979)	51 021

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.

4.33. Off balance sheet items

This caption is made up as follows:

	Jun. 30, 13	Dec. 31, 12
Guarantees given and other contingent liabilities		
Guarantees and sureties	2 001 136	2 185 640
Stand-by letters of credit	76 631	13 635
Documentary credits	74 303	177 805
Sureties and indemnities	86	79
Other guarantees given and contingent liabilities	13 200	13 200
	2 165 356	**2 390 359**
Assets given as collateral	**13 885 768**	**15 166 739**
Commitments to third parties		
Irrevocable commitments		
Options on assets	10 414	55 047
Irrevocable credit lines	1 788	1 582
Securities subscription	242 110	206 070
Term commitment to make annual contributions to the deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	10 107	9 944
Other irrevocable commitments	303	707
Revocable commitments	2 227 432	2 234 781
	2 530 868	**2 546 845**
Responsibility for services provided		
Deposit and safeguard of assets	25 253 273	24 869 361
Amounts for collection	118 497	131 737
Assets managed by the institution	5 022 675	4 924 016
	30 394 445	**29 925 114**

The caption "Assets given as collateral" at June 30, 2013 and at December 31, 2012 includes:

- 3 922 671 t. euro and 4 432 349 t. euro, respectively, relating to captive credit and 9 069 746 t. euro and 9 784 331 t. euro relating to securities eligible for funding from the European Central Bank (ECB).
- 5 801 t. euro and 7 247 t. euro relating to securities given in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);
- 45 465 t. euro and 71 691 t. euro relating to securities given in guarantee to the Deposit Guarantee Fund.

Additionally, at June 30, 2013 and December 31, 2012 the caption "Assets given as collateral" includes, respectively, 626 635 t. euro and 658 428 t. euro of securities and 198 555 t. euro and 195 290 t. euro of credit, given as collateral to the European Investment Bank.

The "Options on assets" caption at June 30, 2013 and December 31, 2012 corresponds to share options issued by the BPI Group under the share-based payments program (RVA).

The "Commitments to third parties - Securities subscription" caption at June 30, 2013 and December 31, 2012 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 "Term commitment to make annual contributions to the Deposit Guarantee Fund" caption at June 30, 2013 and December 31, 2012 corresponds to BPI's legally required irrevocable commitment, to pay to the Fund, upon request by it, the amount of the annual contributions not yet paid.

The "Commitment to the Investor Indemnity System" caption at June 30, 2013 and at December 31, 2012 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, 2013 the BPI Group managed the following third party assets:	
Investment Funds and PPRs	2 062 977
Pension Funds [1]	1 991 311

[1] Includes the Group companies' Pension Funds.

4.34. Financial margin (narrow sense)

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Interest and similar income		
Interest on deposits with banks	935	1 357
Interest on placements with credit institutions	17 848	14 967
Interest on loans to customers	271 472	358 583
Interest on credit in arrears	9 540	7 607
Interest on securities held for trading and available for sale	189 507	220 658
Interest on securitised assets not derecognised	87 970	124 807
Interest on derivatives	137 445	255 103
Interest on securities held to maturity	103	365
Interest on debtors and other aplications	1 685	2 228
Other interest and similar income	2 313	4 515
	718 818	**990 190**
Interest and similar expense		
Interest on resources		
Of central banks	14 072	18 894
Of other credit institutions	5 808	13 749
Deposits and other resources of customers	214 010	308 428
Debt securities	46 756	84 615
Interest from short selling	270	2 243
Interest on derivatives	161 442	268 410
Interest on liabilities relating to assets not derecognised on securitised operations	10 870	15 968
Interest on contingent convertible subordinated bonds	44 777	
Interest on subordinated debt	1 473	2 877
Other interest and similar expenses	149	226
	499 627	**715 410**

4.35. Gross margin on unit links

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Income from financial instruments		
Interest	1 254	2 308
Gains and losses on financial instruments	3 194	4 959
Gains and losses on capitalisation insurance - unit links	(4 448)	(7 267)
Management and redemption comission	1 392	1 402
	1 392	**1 402**

4.36. Income from equity instruments

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Conduril	276	184
SIBS	878	1 071
Viacer	1 568	1 561
Imofomento	305	63
Others	153	157
	3 180	**3 036**

4.37. Net commission relating to amortized cost

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Commission received relating to amortised cost		
Loans to customers	15 812	16 153
Others	667	858
Commission paid relating to amortised cost		
Loans to customers	(3 009)	(3 265)
Others	(631)	(906)
	12 839	**12 840**

4.38. Technical result of insurance contracts

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Premiums	258 861	123 033
Income from financial instruments	34 198	37 109
Cost of claims, net of reinsurance	(209 739)	(438 440)
Changes in technical provisions, net of reinsurance	(49 293)	314 434
Participation in results	(22 780)	(23 886)
	11 247	**12 250**

This caption includes the result of capitalization insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalization insurance is attributed at the end of each year and is calculated in accordance with the technical bases of each product, duly approved by the Portuguese Insurance Institute (Note 2.11).

4.39. Net commission income

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Commissions received		
On guarantees provided	11 811	12 477
On commitments to third parties	1 556	930
On insurance brokerage services	19 515	19 219
On banking services rendered	113 651	117 609
On operations realised on behalf of third parties	6 453	5 895
Other	1 519	996
	154 505	**157 126**
Commissions paid		
On guarantees received	7	8
On financial instrument operations	178	312
On banking services rendered by third parties	19 048	19 303
On operations realised by third parties	1 300	2 022
Other	(182)	147
	20 351	**21 792**
Other income, net		
Refund of expenses	13 611	13 053
Income from banking services	13 803	13 670
Charges similar to fees	(4 444)	(5 205)
	22 970	**21 518**

At June 30, 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Life insurance		
Housing	9 813	9 527
Consumer	803	1 773
Others	3 623	2 388
	14 239	**13 688**
Non-life insurance		
Housing	2 226	2 053
Consumer	354	887
Others	2 696	2 591
	5 276	**5 531**
	19 515	**19 219**

At June 30, 2013 and 2012 remuneration for insurance brokerage services rendered was received in full in cash and more than 88% and 90%, respectively, of the commission results from insurance brokerage services for Allianz.

4.40. Net income on financial operations

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Gain and loss on operations at fair value		
Foreign exchange gain, net	45 172	36 035
Gain and loss on financial assets held for trading		
Debt instruments	2 066	4 501
Equity instruments	12 843	(11 623)
Other securities	1	2
Gain and loss on trading derivative instruments	(11 928)	6 520
Gain and loss on other financial assets valued at fair value through profit or loss	415	168
Gain and loss on financial liabilities held for trading	1 111	(11 813)
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	(86 642)	127 277
Gain and loss on hedging derivative instruments	87 950	(100 090)
Other gain and loss on financial operations	6 155	108 768
	57 143	**159 745**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to customers	356	(3 083)
Gain and loss on financial assets available for sale		
Debt instruments	128 735	20 473
Equity instruments	(15)	509
	129 076	**17 899**
Interest and financial gain and loss with pensions (Note 4.26)		
Interest cost relating to the liabilities	(21 075)	(23 154)
Income on plan assets computed with the discount rate	23 159	23 595
	2 084	**441**

At June 30, 2013 and 2012, the caption “Gain and loss on trading derivative instruments” includes (10 271) t. euro and 4 900 t. euro, respectively, relating to equity swaps contracted with Customers, which are hedged with shares classified in the caption “Equity Instruments”.

The captions “Gain and loss on the revaluation of assets and liabilities hedged by derivatives” and “Gain and loss on hedging derivative instruments” at June 30, 2012 includes 26 639 t. euro relating to a gain on the repurchase of own bond issues (Notes 4.18 and 4.24).

The caption “Other gains and losses on financial operations” at June 30, 2013 and 2012, includes 5 964 t. euro and 108 536 t. euro, respectively, relating to a gain on the repurchase of financial liabilities on securitization operations.

The caption “Gain and loss on the sale of loans and advances to customers” at June 30, 2012, includes (2 613) t. euro of losses resulting from the repurchase of Banco BPI Pension Fund bonds relating to the securitization of housing loans.

The caption “Gain and loss on financial assets available for sale – debt instruments” at June 30, 2013, includes 129 327 t. euro relating to the sale of Treasury Bonds and Treasury Bills issued by the Portuguese State.

4.41. Net operating expenses

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Operating income		
Gains on disposal of investiments in subsidiaries and associated companies		71
Gain on tangible assets held for sale	283	366
Gain on other tangible assets	3 069	1 388
Other operating income	1 814	1 802
	5 166	**3 627**
Operating expenses		
Subscriptions and donations	1 484	1 873
Contributions to the Deposit Guarantee Fund	1 634	2 168
Contributions to the Resolution Fund	2 267	
Contribution to the Investor Indemnity System	10	4
Loss on tangible assets held for sale	388	165
Loss on other tangible and intangible assets	4 379	2 423
Other operating expenses	1 805	985
	11 967	**7 618**
Other taxes		
Indirect taxes	2 350	1 900
Direct taxes	461	488
	2 811	**2 388**

Decree-Law 24/2013 of February 19 established the contributions from Banks to the new Resolution Fund regime created to prevent, mitigate and contain systemic risk. Notice 1/2013 and Instructions 6/2013 and 7/2013 of the Bank of Portugal established the payment of an initial and periodic contributions to the Resolution Fund. Banco BPI recorded in its June 30, 2013 accounts an accrual of the initial contribution (Note 4.13), paid in June 2013 and of the periodic contribution to be paid in the second half of 2013 (Note 4.25).

4.42. Personnel costs

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Remuneration	142 503	142 991
Long service premium (Note 2.7 and 4.25)	1 665	1 515
Pension costs (Note 2.6 and 4.26)	2 755	3 577
Early retirements (Note 4.26)	4 085	25 000
Death subsidy (Note 4.26)	(3 317)	(32 329)
Other mandatory social charges	31 834	33 692
Other personnel costs	5 029	5 029
	184 554	**179 475**

The caption “Remuneration” at June 30, 2013 and 2012 includes the following costs relating to remuneration granted to the members of Banco BPI’s Board of Directors:

- 1 446 t. euro and 1 991 t. euro, respectively, relating to remuneration paid in cash; and
- 63 t. euro and 64 t. euro, respectively, relating to the accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption “Pension Fund” at June 30, 2013 and 2012 includes 2 074 t. euro and 2 138 t. euro, respectively, relating to costs of the Defined Contribution Pension Plan for employees of Banco de Fomento Angola.

4.43. Administrative Costs

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Administrative costs		
Supplies		
Water, energy and fuel	6 925	6 730
Consumable material	2 746	3 208
Other	511	583
Services		
Rent and leasing	25 282	26 198
Communications and computer costs	20 509	20 801
Travel, lodging and representation	4 154	4 083
Publicity	8 480	9 832
Maintenance and repairs	10 389	8 876
Insurance	2 212	2 384
Fees	2 283	2 307
Legal expenses	2 993	1 371
Security and cleaning	5 777	5 953
Information services	2 550	2 248
Temporary labour	2 077	2 107
Studies, consultancy and auditing	2 905	4 583
SIBS	9 941	9 079
Other services	9 799	9 129
	119 533	**119 472**

4.44. Income tax

At June 30, 2013 and 2012, the income tax recognized in the statements of income, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, are as follows:

	Jun. 30, 13	Jun. 30, 12
Current income tax		
For the year	26 053	11 450
Correction of prior years	(2 401)	(137)
	23 652	**11 313**
Deferred tax		
Recognition and reversal of temporary differences	(21 536)	2 099
Change in tax rate	(192)	
On tax losses carried forward	16 828	7 018
	(4 900)	**9 117**
Contribution over the banking sector	**6 529**	**6 945**
Total tax charged to the statement of income	**25 282**	**27 375**
Net income before income tax [1]	112 904	143 707
Tax burden	22.4%	19.0%

[1] Considering net income of the BPI Group plus income tax and income attributable to minority interests less the earnings of associated companies (equity method).

In the first half of 2013 and 2012 Banco BPI recorded, directly in retained earnings, income tax of 15 481 t. euro and 12 105 t. euro, respectively, on actuarial deviations in pensions recognized in the period and on net gain/loss on treasury shares recognized in equity (Note 4.31.).

Reconciliation between the nominal rate of income tax and the tax burden in June 2013 and 2012, 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, 13		Jun. 30, 12	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		112 904		143 707
Income tax computed based on the nominal tax rate	33.4%	37 718	33.1%	47 596
Effect of tax rates applicable to foreign branches	-0.1%	(121)	-0.1%	(95)
Capital gain and impairment of investments (net)	0.2%	278	-1.9%	(2 765)
Capital gain of tangible assets (net)	-0.2%	(260)	-0.3%	(424)
Income on Angolan public debt	-20.0%	(22 569)	-13.2%	(18 974)
Non taxable dividends	-0.6%	(632)	-0.6%	(816)
Tax on dividends of subsidiary and associated companies	2.6%	2 884	2.0%	2 930
Conversion of shareholders' equity of associated companies			-0.2%	(287)
Tax benefits	-0.7%	(813)	-0.8%	(1 175)
Impairment and provision for loans	-0.4%	(469)	0.8%	1 161
Non tax deductible pension costs	1.1%	1 224	-0.1%	(159)
Interest recognised on minority interests	-0.1%	(138)	-0.1%	(186)
Correction of prior year taxes	-1.1%	(1 255)	0.3%	376
Diferential of tax rate on tax losses [1]	0.1%	126	0.8%	1 204
Diference betw een the current income tax rate and deferred tax rate	1.0%	1 138	-0.1%	(114)
Use of tax losses			-6.0%	(8 597)
Effect of change in the rate of deferred tax	-0.2%	(199)		
Contribution over the financial sector	5.8%	6 529	4.8%	6 945
Autonomous taxation	0.6%	627	0.5%	657
Other non taxable income and expenses	1.1%	1 214	0.1%	97
	22.4%	**25 282**	**19.0%**	**27 375**

[1] The calculation of deferred taxes relating to tax losses is based on a tax rate of 25% and not on the nominal tax rate (that includes State and Municipal surcharge).

Deferred tax assets related to tax losses not recognized in the financial statements as of June 30, 2012 amount to 1 353 t.euro. At June 30, 2012, the use of tax losses relates essentially to the activity of Banco de Fomento Angola and refers to previous year situations for which the corresponding deferred tax assets were not recorded.

Current taxes are calculated based on the nominal tax rates legally in force in the countries in which the Bank operates:

	Jun. 30, 13		Jun. 30, 12	
	Net income before income tax	Current tax rate	Net income before income tax	Current tax rate
Companies w ith income tax rate of 25% and Surcharge betw een [1.5% ; 5%[	25 571	30.5%	64 863	30.9%
Companies w ith income tax rate of 35% (Angola)	85 461	35.0%	78 773	35.0%
Investment funds[1]	1 871		72	
	112 903	33.4%	143 707	33.1%

[1] Regime applicable under the provisions of article 22 of the EBF.

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax assets are also recognized on tax losses carried forward and tax credits.

Profits distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 46 of the Corporate 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, 2013 and December 31, 2012 are as follows:

	Jun. 30, 13	**Dec. 31, 12**
Deferred tax		
Assets (Note 4.12)	540 257	608 483
Liabilities (Note 4.22)	(44 454)	(89 815)
	495 803	518 668
Recorded by corresponding entry to:		
Retained earnings	234 797	273 567
Other reserves - Actuarial deviations	78 578	83 206
Fair value reserve (Note 4.30)		
Financial instruments available for sale	177 529	198 248
Net income	4 900	(36 353)
	495 803	518 668

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 2013 are as follows:

	Balance at Dec. 31, 12	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 13
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	6 263	(2 836)	7			3 434
Early retirements	31 959	(3 315)				28 644
Advertising campaigns	70					70
Banco BPI Cayman net income	225					225
Taxed provisions and impairment	136 166	(590)	18 647			154 223
Long service premium	6 117		392			6 509
Tax losses	71 934	(10 948)	(5 880)			55 106
Financial instruments available for sale	244 672		891	7 789	(69 746)	183 607
Actuarial deviations	83 205	(4 627)				78 578
Actuarial deviations after 2011			8 487		(8 487)	
Tax deferral of the impact of transition to NCA	27 172	(771)				26 401
Others	700	(82)	113	2 740	(11)	3 460
	608 483	(23 170)	22 659	10 529	(78 243)	540 257
Deferred tax liabilities						
Revaluation of tangible fixed assets	(721)		19			(702)
Revaluation of assets and liabilities hedged by derivatives	(267)	(153)				(420)
Subsidiary's equity conversion	(691)	301				(390)
Dividends to be distributed by subsidiary and associated companie:	(8 032)	(2 861)	5 484	161	(5)	(5 253)
RVA's			1 442		(1 442)	
Loan impairment						
Financial instruments available for sale	(49 971)	631		39 867		(9 474)
Repurchase of liabilities and preference shares	(30 132)		4 129	1 371		(24 632)
Reversal of gains in the consolidated accounts		(3 434)				(3 434)
Others	(1)	(1 375)	1 228	(1)		(149)
	(89 815)	(6 891)	12 302	41 397	(1 447)	(44 454)
	518 668	**(30 061)**	**34 961**	**51 926**	**(79 691)**	**495 803**

The changes in deferred taxes in the first half of 2012 are as follows:

	Balance at Dec. 31, 11	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 12
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	23 697	(12 476)				11 221
Early retirements	33 028	(21)	669			33 676
Advertising campaigns	263	(129)				134
"Taxa garantida" operations	94	(46)				48
Net income of Banco BPI Cayman	225					225
Taxed provisions and impairment	91 413		27 677			119 090
Long service premium	6 938		50			6 988
Tax losses	109 908	(2 946)	(4 072)			102 890
Financial instruments available for sale	507 094	(272)	56	208	(123 813)	383 273
Actuarial deviations	92 789	(4 622)			(340)	87 827
Actuarial deviations after 2011			8 744		(8 744)	
Tax deferral of the impact of transition to NCA	28 770	(799)				27 971
Others	535	(16)	54	2	(3)	572
	894 754	(21 327)	33 179	210	(132 900)	773 916
Deferred tax liabilities						
Revaluation of tangible fixed assets	(773)		34			(738)
"Taxa garantida" operations	(93)		46			(47)
Revaluation of assets and liabilities hedged by derivatives	(445)	(133)				(577)
Subsidiary's equity conversion	(1 293)	287				(1 006)
Dividends to be distributed by subsidiary and associated companie:	(8 269)	(2 904)	6 640	(261)	(2)	(4 795)
RVA's		(7)		7		0
Loan impairment	(3 783)		3 783			(0)
Financial instruments available for sale	(8 072)	(61)		(5 094)	(26 749)	(39 975)
Repurchase of liabilities and preference shares	(5 049)	(28 732)	49	1 448	(303)	(32 588)
Actuarial deviations						
Others	(63)		30	4		(29)
	(27 839)	(31 550)	10 582	(3 896)	(27 054)	(79 757)
	866 915	**(52 878)**	**43 761**	**(3 686)**	**(159 954)**	**694 159**

The BPI Group does not recognize deferred tax assets and liabilities on temporary taxable differences relating to investments in subsidiary and associated companies as it is improbable that such differences will revert in the foreseeable future, except as follows:

- deferred tax liabilities relating to estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the following year out of profit for the year, are recognized;
- deferred tax liabilities relating to all the distributable net income (including the undistributed part) of Banco Comercial e de Investimentos are recognized.

4.45. Earnings of associated companies (equity method)

This caption is made up as follows:

	Jun. 30, 13	Jun. 30, 12
Banco Comercial e de Investimentos, S.A.R.L.	4 267	3 988
Companhia de Seguros Allianz Portugal, S.A.	4 801	1 900
Cosec – Companhia de Seguros de Crédito, S.A.	1 378	1 490
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	(857)	342
Fundo BPI Obrigações Mundiais (ex-Fundo BPI Taxa Variável)		69
InterRisco - Sociedade de Capital de Risco, S.A.	24	191
Unicre - Instituição Financeira de Crédito, S.A.	578	763
	10 191	**8 743**

4.46. Consolidated net income of the BPI Group

The contribution of Banco BPI and subsidiary and associated companies to consolidated net income in the first halves of 2013 and 2012 is as follows:

	Jun. 30, 13	Jun. 30, 12
Banks		
Banco BPI, S.A.[1]	(33 733)	21 492
Banco Português de Investimento, S.A.[1]	(189)	1 715
Banco de Fomento Angola, S.A.[1]	35 941	36 900
Banco Comercial e de Investimentos, S.A.R.L.[1]	3 904	3 648
Banco BPI Cayman, Ltd	858	910
Specialised credit		
BPI Locação de Equipamentos, Lda	24	58
Asset management and brokerage		
BPI Dealer - Sociedade Financeira de Corretagem (Moçambique), S.A.R.L.	(449)	(19)
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	3 660	4 171
BPI - Global Investment Fund Management Company, S.A.	268	174
BPI (Suisse), S.A.	1 932	1 044
BPI Alternative Fund: Iberian Equities Long/Short Fund	910	61
BPI Alternative Fund: Iberian Equities Long/Short Fund Luxembourg	59	
Fundo BPI Obrigações Mundiais (ex-Fundo BPI Taxa Variável) [1]		(202)
Venture capital / development		
BPI Private Equity - Sociedade de Capital de Risco, S.A.	357	129
Inter-Risco - Sociedade de Capital de Risco, S.A. [1]	24	191
Insurance		
BPI Vida e Pensões - Companhia de Seguros, S.A.	40 209	10 991
Cosec - Companhia de Seguros de Crédito, S.A. [1]	1 378	1 490
Companhia de Seguros Allianz Portugal, S.A.	4 801	1 900
Others		
BPI, Inc	57	(1)
BPI Madeira, SGPS, Unipessoal, S.A.	71	(13)
BPI Capital Finance		
BPI Capital Africa[1]	(888)	(691)
Finangeste - Empresa Financeira de Gestão e Desenvolvimento, S.A.[1]	(857)	342
Unicre - Instituição Financeira de Crédito, S.A.	578	763
	58 915	**85 053**

[1]Adjusted net income.

4.47. Personnel

The average and period-end number of employees[1] in the first halves of 2013 and 2012 were as follows:

	Jun. 30, 13		Jun. 30, 12	
	Average for the period	End of period	Average for the period	End of period
Executive directors[2]	10	10	10	10
Management staff	613	614	609	611
Other staff	5 326	5 385	5 485	5 544
Other employees	2 921	2 909	2 878	2 837
	8 870	**8 918**	**8 982**	**9 002**

[1] Personnel of the Group's entities that were 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.

4.48. Financial risks

Fair value

Fair value is determined whenever possible based on the price in an active market. A market is considered to be active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and is traded on a regular basis.

The valuation for financial instruments for which there are no prices in an active market is described in the following sections.

Financial instruments recorded in the balance sheet at fair value

Debt instruments and equity instruments

In the case of debt instruments with no prices in active markets, due to the lack of liquidity and absence of regular transactions, alternative methods of valuing assets are used, namely:

- assets valued based on third party bid prices considered to be reliable; or,
- assets valued based on Net Asset Value updated and disclosed by their managers;
- assets valued based on prices disclosed by the entities involved with the structuring of the transactions; or
- assets for which impairment tests are made based on indicators of the performance of the underlying operations (degree of protection by subordination of the parts owned, rates of delinquency of the underlying assets, evolution of the ratings).

For unquoted shares, fair value is estimated based on an analysis of the issuer's financial position and results, risk profile and market valuations or transactions for companies with similar characteristics.

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).

The majority of over-the-counter derivatives (swaps, fras, caps, floors and standard options) are valued based on generally accepted methods:

- based on the present value of future flows (cash flows), considering the relevant interest rate curve, at the time of the calculation (mark-to-market: such as swaps); or
- through models to determine the price from statistical models (such as Black & Scholes), based on generally accepted assumptions (mark to model: such as options).

Valuation techniques use as input representative variables of market conditions at the date of the financial statements.

Market interest rates are determined based on information published in electronic trading platforms (such as Bloomberg, Reuters), and adjusted for liquidity and credit risk.

Interest rates for specific terms of cash flows are determined by suitable interpolation methods. The same interest rate curves are also used in the projection of nondeterministic cash flows such as the indexers.

For derivatives in which there has been counterparty default in the payment of contractual flows, fair value corresponds to its replacement value at the moment of early settlement, adjusted for expected of collectability.

In determining the fair value of derivatives, specific valuations provided by counterparties or by external parties are also used, ensuring in the latter case the reliability of the information provided through regular monitoring and validation of the valuations obtained, and through regular backtesting in relation to observable market transactions.

For presentation purposes in this note, the financial instruments recorded in the balance sheet at fair value are classified in accordance with the following hierarchy established in IFRS 13:

• Level 1 – Price in an active market

This category includes, in addition to financial instruments listed on Stock Exchanges, financial instruments valued based on prices in active markets (executable bids) published in electronic trading platforms.

• Level 2 – Valuation techniques based on market inputs

This level includes financial instruments valued by reference to valuation techniques based on market prices for instruments with similar characteristics or similar financial instruments held by the Group, including observable market prices for financial assets for which significant decreases in trading volumes have occurred, or financial instruments valued based on internal models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates). This level also includes financial instruments valued based on third party purchase prices (indicative bids), considering observable market data.

• Level 3 – Valuation techniques using mainly inputs not based on observable market data

Financial assets and liabilities are classified as Level 3 if a significant proportion of their book value is the result of inputs not based on observable market data, namely:

- unlisted shares, bonds and derivative financial instruments that are valued based on in-house developed models for which there is no generally accepted market consensus as to the inputs to be used; and

- bonds valued based on third party indicative bids, based on theoretical models.

Financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded 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:

- in interbank operations (Loans and advances to credit institutions and Resources of credit institutions) yield curves for interbank operations at the reference date of the financial statements are used;

- in operations with customers (Loans to costumers and Resources of customers) the weighted average of spreads over the reference rates used by the Bank in the previous month for similar operations is considered, taking into account the need to obtain a significant sample of operations for each class of product considered;

- reference rates for bond issuances (Debt securities and Subordinated debt) are applied, taking into account the residual maturity and degree of subordination. In the past, money market and swap curves were used as a basis for determining the reference rates for mortgage and public sector bonds and curves obtained from market prices were used for bonds not collateralized by assets. As from December 31, 2011, given the lack of market references for Portuguese issuances, the Portuguese public debt curve was gradually introduced as a working basis, potentially increased by a spread to represent the differential risk of the Bank and the degree of subordination, this basis being that currently used to determine the discount rate for all bonds issued. At June 30, 2013 and December 31, 2012 a nil spread was considered for mortgage and public sector bonds and for senior bonds, as it was believed that the market sees the Bank's risk as similar to that of the Portuguese Republic. For subordinated debt, at June 30, 2013 spreads over the rates used for senior issuances, increasing with the residual maturity and degree of subordination were used, and having as a ceiling the spread for contingent convertible subordinated bonds. For these, at June 30, 2013 and December 31, 2012, the implicit rates of the bonds were used, thus having fair value equal to book value. At December 31, 2012, as a more adequate reference could not be found for subordinated debt, the Bank opted to use a fair value (85% of par value) which was consistent with the significant improvement observed in the senior debt market compared to December 31, 2011.

The reference rates used to calculate the discount factors at December 31, 2013 are listed in the table below. For each set of operations the above mentioned applicable spreads are added.

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
EUR	0.12%	0.22%	0.34%	0.53%	0.61%	0.80%	1.25%	1.61%	2.02%	2.51%
GBP	0.49%	0.51%	0.60%	0.90%	0.82%	1.03%	1.57%	2.04%	2.56%	3.33%
USD	0.19%	0.27%	0.41%	0.69%	0.51%	0.82%	1.58%	2.15%	2.70%	3.46%
JPY	0.12%	0.16%	0.23%	0.42%	0.27%	0.33%	0.51%	0.73%	1.02%	1.94%

The fair value of “Held to maturity investments” is based on market prices or third party purchase prices, when available. If these do not exist, fair value is estimated based on the discounted value of the expected cash flows of principal and interest.

The fair value of spot operations (including Cash and deposits at central banks, Deposits at other credit institutions repayable on demand and Demand deposits included in Resources of customers and other debts) corresponds to their book value.

The fair value of financial instruments at June 30, 2013 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	1 257 310		1 257 310	1 257 310			1 257 310
Deposits at other credit institutions	322 562		322 562	322 562			322 562
Financial assets held for trading and at fair value through profit or loss	838 787	838 787		838 787			838 787
Financial assets available for sale	9 489 962	9 489 962		9 489 962		8 126	9 498 088
Loans and advances to credit institutions	1 878 190		1 872 629	1 872 629	(5 561)		1 878 190
Loans and advances to customers	27 014 366		24 314 982	24 314 982	(2 699 384)		27 014 366
Held to maturity investments	253 029		245 731	245 731	(7 298)		253 029
Trading derivatives [2]	261 803	261 803		261 803			261 803
Hedging derivatives	205 958	205 958		205 958			205 958
	41 521 967	10 796 510	28 013 214	38 809 724	(2 712 243)	8 126	41 530 093
Liabilities							
Resources of central banks	4 132 763		4 132 616	4 132 616	147		4 132 763
Financial liabilities held for trading	97	97		97			97
Resources of other credit institutions	1 883 999		1 885 112	1 885 112	(1 113)		1 883 999
Resources of customers and other debts	25 378 954		25 565 771	25 565 771	(186 817)		25 378 954
Debt securities	2 884 530		2 771 265	2 771 265	113 265		2 884 530
Financial liabilities relating to transferred assets	1 477 959		1 407 537	1 407 537	70 422		1 477 959
Trading derivatives	260 680	260 680		260 680			260 680
Hedging derivatives	616 472	616 472		616 472			616 472
Technical provisions	2 352 222		2 352 222	2 352 222			2 352 222
Contingent convertible subordinated bonds	1 041 633		1 041 633	1 041 633			1 041 633
Other subordinated debt and participating bonds	144 350		118 018	118 018	26 332		144 350
	40 173 659	877 249	39 274 173	40 151 423	22 236		40 173 659
	1 348 308			(1 341 699)	(2 690 007)	8 126	1 356 434
Valuation differences in financial assets recognised in revaluation reserves					(597 341)		
Total					(3 287 348)		

[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 at December 31, 2012 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	1 269 365		1 269 365	1 269 365			1 269 365
Deposits at other credit institutions	453 438		453 438	453 438			453 438
Financial assets held for trading and at fair value through profit or loss	782 619	782 619		782 619			782 619
Financial assets available for sale	10 244 083	10 244 083		10 244 083		8 799	10 252 882
Loans and advances to credit institutions	1 710 727		1 706 108 [3]	1 706 108	(4 619)		1 710 727
Loans and advances to customers	27 345 473		24 645 459 [4]	24 645 459	(2 700 014)		27 345 473
Held to maturity investments	445 298		432 862 [3]	432 862	(12 436)		445 298
Trading derivatives [2]	329 027	329 027		329 027			329 027
Hedging derivatives	280 737	280 737		280 737			280 737
	42 860 767	11 636 466	28 507 232	40 143 698	(2 717 069)	8 799	42 869 566
Liabilities							
Resources of central banks	4 270 918		4 272 065 [3]	4 272 065	(1 147)		4 270 918
Financial liabilities held for trading	233	233		233			233
Resources of other credit institutions	2 568 421		2 569 271 [3]	2 569 271	(850)		2 568 421
Resources of customers and other debts	24 621 139		24 703 940 [5]	24 703 940	(82 801)		24 621 139
Debt securities	3 787 627		3 612 158 [3]	3 612 158	175 469		3 787 627
Financial liabilities relating to transferred assets	1 590 984		1 356 331 [4]	1 356 331	234 653		1 590 984
Trading derivatives	339 931	339 931		339 931			339 931
Hedging derivatives	814 983	814 983		814 983			814 983
Technical provisions	2 255 364		2 255 364 [3]	2 255 364			2 255 364
Contingent convertible subordinated bonds	1 200 279		1 200 279 [3]	1 200 279			1 200 279
Other subordinated debt and participating bonds	156 331		132 760 [3]	132 760	23 571		156 331
	41 606 210	1 155 147	40 102 168	41 257 315	348 895		41 606 210
	1 254 557			(1 113 617)	(2 368 174)	8 799	1 263 356
Valuation differences in financial assets recognised in revaluation reserves					(669 893)		
Total					(3 038 067)		

[1] Unlisted securities for which it was not possible to determine fair value on a reliable basis.

[2] This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.

[3] Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.

[4] Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

[5] Demand deposits valued at their nominal amount. Term deposits and other resources not at demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The book value of the financial instruments recorded in the balance sheet at fair value at June 30, 2013, 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	692 620	22 778	123 389	838 787
Financial assets available for sale	7 474 797	56 854	1 958 311	9 489 962
Trading derivatives	505	225 225	36 073	261 803
Hedging derivatives	249	144 287	61 422	205 958
	8 168 171	449 144	2 179 195	10 796 510
Liabilities				
Financial liabilities held for trading	97			97
Trading derivatives	6	225 316	35 358	260 680
Hedging derivatives		581 538	34 934	616 472
	103	806 854	70 292	877 249

The book value of the financial instruments recorded in the balance sheet at fair value at December 31, 2012, 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	590 064	23 592	168 963	782 619
Financial assets available for sale	7 948 122	58 333	2 237 628	10 244 083
Trading derivatives	44	287 114	41 869	329 027
Hedging derivatives	350	205 409	74 978	280 737
	8 538 580	574 448	2 523 438	11 636 466
Liabilities				
Financial liabilities held for trading	233			233
Trading derivatives	167	298 066	41 698	339 931
Hedging derivatives	248	776 738	37 997	814 983
	648	1 074 804	79 695	1 155 147

At June 30, 2013 and at December 31, 2012 financial assets held for trading and at fair value through profit or loss included in Level 3 correspond essentially to bonds valued through indicative Bids based on theoretical models or in-house developed models.

At June 30, 2013 and at December 31, 2012 financial assets available for sale included in Level 3 correspond essentially to Angolan public debt securities. They also include bonds collateralized by assets (ABS's) and private equity investments.

At June 30, 2013 and December 31, 2012 trading and hedging derivatives included in Level 3 refer mainly to:

- options or swaps negotiated with Customers with an optional component and the related hedging with the market;
- embedded options in structured bonds issued by Banco BPI, with remuneration indexed to baskets of shares / share indexes, commodities and exchange rates, and operations negotiated with the market to hedge the optional risk of these bonds.

For financial instruments recorded at fair value in the balance sheet, the changes between December 31, 2012 and June 30, 2013 on assets and liabilities classified in Level 3, is made up 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, 2012	168 963	2 237 628	171	36 981	2 443 743
Accrued interest (amount at December 31, 2012)	(64)	(1 053)	569	6 285	5 737
Gain / (loss) recognized in net income					
In net income on financial operations	80	(53)	458	(10 452)	(9 967)
Potential gain / (loss)	103		458	(10 452)	(9 891)
Effective gain / (loss)	(23)	(53)			(76)
In impairment loss		(598)			(598)
Gain / (loss) recognized in revaluation reserves		(5 760)			(5 760)
Purchases	120	15 017			15 137
Sales / redemptions	(45 809)	(288 985)			(334 794)
Transfers in					
Accrued interest (amount at June 30, 2013)	99	2 115	(483)	(6 326)	(4 595)
Net book value at June 30, 2013	123 389	1 958 311	715	26 488	2 108 903

Sales / redemptions of assets held for trading and at fair value through profit or loss correspond mainly to public debt securities issued by Angola and by Banco Nacional de Angola held by Banco de Fomento Angola that have matured.

Sales / redemptions of assets available for sale correspond mainly to public debt securities issued by Angola and by Banco Nacional de Angola held by Banco de Fomento Angola that have matured.

For financial instruments recorded at fair value on the balance sheet, the changes between December 31, 2011 and December 31, 2012 in assets and liabilities classified in Level 3, are made up 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, 2011	39 655	2 565 505	2 258	38 875	2 646 293
Accrued interest (amount at December 31, 2011)	(130)	(1 930)	(270)	11 843	9 513
Gain / (loss) recognized in net income					
In net income on financial operations	440	61	(1 248)	(7 452)	(8 199)
Potential gain / (loss)	97	(5)	(1 248)	(7 452)	(8 608)
Effective gain / (loss)	343	66			409
In impairment loss		(13 120)			(13 120)
Gain / (loss) recognized in revaluation reserves		2 189			2 189
Purchases	142 317	92 168			234 485
Sales / redemptions	(13 783)	(408 492)			(422 275)
Transfers in	400	194			594
Accrued interest (amount at December 31, 2012)	64	1 053	(569)	(6 285)	(5 737)
Net book value at December 31, 2012	168 963	2 237 628	171	36 981	2 443 743

The purchase of assets held for trading and at fair value through profit or loss corresponds mostly to public debt securities issued by Angola and by Banco Nacional de Angola (BNA), acquired by Banco de Fomento Angola.

The purchases recorded in the available for sale portfolio include 60 000 t. euro relating to the acquisition of participating units of Fundo de Reestruturação Empresarial FCR and 20 000 t. euro relating to the acquisition of participating units of Fundo de Recuperação FCR.

Sales / redemptions of assets available for sale correspond mainly to public debt securities issued by Angola and by Banco Nacional de Angola held by Banco de Fomento Angola that have matured.

Derecognition of financial instruments

During the first half of 2013 and in 2012 no financial instruments for which it was not possible to reliably determine their fair value were derecognized and so there was no impact on net income for the period arising from this.

Reclassification of financial assets

The BPI Group reclassified bonds from Financial assets held for trading to Financial assets available for sale (Note 4.5), 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, 13			Dec. 31, 12			
	Book value on reclassification date	Book value at Jun. 30, 13	Fair value at Jun. 30, 13	Book value on reclassification date	Book value at Dec. 31, 12	Fair value at Dec. 31, 12	Effective interest rate on reclassification date
Reclassification of bonds in 2008							
Financial assets held for trading	(64 296)			(76 888)			
Financial assets available for sale	308	335	335	601	654	654	5,81%
Loans represented by securities	36 002	36 592	18 760	36 002	36 592	18 904	6,37%
Held to maturity investments	27 986	30 195	25 218	40 285	43 537	37 975	6,29%
Reclassification of bonds in 2009							
Financial assets held for trading	(3 281)			(4 070)			
Loans represented by securities	245	293	394	262	307	404	5,34%
Held to maturity investments	3 036	4 579	3 781	3 808	5 575	4 527	5,98%
Reclassification of bonds in 2012							
Financial assets at fair value through profit or loss	(7 699)			(7 699)			
Loans represented by securities	7 699	7 663	7 002	7 699	7 662	6 606	2,78%
Reclassification of bonds in the first half of 2013							
Financial assets at fair value through profit or loss	(4 093)	(4 093)	(4 093)				
Loans represented by securities	4 093	4 093	4 093				1,94%
		79 657	55 490		94 327	69 070	

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 financial assets available for sale, 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 2011, due to the significant decrease in trading volumes of Greek sovereign debt securities, the BPI Group reclassified these securities from financial assets available for sale to loans represented by securities by their fair value at the date of reclassification (October 31, 2011). In 2012 these securities were exchanged under the agreement regarding the private sector involvement in the restructuring of Greek public debt. The new securities received were recorded in the caption “Financial assets available for sale” and were sold in 2012.

In 2012 a security recorded in the financial assets at fair value through profit or loss portfolio was reclassified to the loans to customer’s portfolio as, due to the lack of liquidity of the bond market, its valuation did not reflect the price on an active market traded on a regular basis.

In the first half of 2013 a security recorded in the financial assets available for sale portfolio was reclassified to the loans to customer’s portfolio as, due to the lack of liquidity of the bond market, its valuation did not reflect the price on an active market traded on a regular basis.

For purposes of determining the effective interest rate of the reclassified assets at the reclassification date, the BPI Group estimated that it would recover all future cash flows relating to the reclassified securities except for its Greek debt position, where it was estimated that half of the cash flows will be received.

After the reclassification date, the gain / (loss) relating to fair value changes in these securities not recognized in the statement of income in the first half of 2013 and in 2012 and other gain / (loss) recognized in reserves and in the statement of income for these years for the securities reclassified from financial assets held for trading, were as follows:

	Jun. 30, 13			Dec. 31, 12		
	Gain/ (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in:		Gain/ (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in:	
		Reserves	Statements of income		Reserves	Statements of income
Financial assets available for sale	5	5	13	9	9	68
Loans represented by securities	261		1 152	(5 301)		1 152
Held-to-maturity investments	717		3 140	2 964		3 140
	983	5	4 305	(2 328)	9	4 359

The amounts of gain / (loss) relating to fair value changes not recognized in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the “Financial assets held for trading” portfolio. Part of these amounts would be offset by opposite results under the caption “Technical Provisions”, namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in other gain / (loss) recognized in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognized in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors’ Report, presented together with the notes to Banco BPI’s financial statements, also includes a section relating to “Risk management”, which contains additional information about the nature and extent of the BPI Group’s financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at June 30, 2013, excluding the insurance capitalization portfolios of BPI Vida e Pensões, was as follows:

BPI Group excluding insurance capitalization portfolios	Nominal Value	Net book value / fair value	Net gain/ (loss) on securities	Hedge accounting effect	Impairment recognized
Held for trading and at fair value through profit or loss	**7 087**	**6 967**	**(24)**		
Portugal	7 087	6 967	(24)		
Available for sale	**5 666 160**	**5 553 464**	**(141 847)**	**(263 046)**	
Portugal	5 331 160	5 190 076	(164 412)	(224 146)	
Ireland	335 000	363 388	22 565	(38 900)	
Total exposure	**5 673 247**	**5 560 431**	**(141 871)**	**(263 046)**	

The fair value of the exposures to Portugal and Ireland was determined based on prices in international markets, the unrealized gains / (losses) and hedge accounting effect being reflected in specific reserve captions or in the statement of income, depending on whether the securities are classified in the available for sale securities portfolio or in the held for trading securities portfolio, respectively. In the case of the exposures to Portugal and Ireland, the BPI Group considers that at June 30, 2013 there was no objective evidence of impairment.

At June 30, 2013 the BPI Group had no exposure to Greek sovereign debt. The BPI Group has in the financial assets available for sale portfolio, OTE PLC bonds (Hellenic Telecommunications Organization), the leading telecom operator in Greece, in the amount of 23 599 t. euro and KION MORTGAGE Class A bonds (securitization of mortgage loans originated by the Greek Millennium bank) in the amount of 78 t. euro (Note 4.5).

The following matters occurred regarding the Group's exposure to Greek sovereign debt at June 30, 2012, which was entirely sold in the second half of 2012. The exposure to Greek debt securities at June 30, 2012 is a result of the exchange of the securities held by the BPI Group at December 31, 2011 under the agreement regarding the private sector involvement in the restructuring of Greek public debt, as explained below.

On February 21, 2012 the terms of the agreement regarding the private sector involvement in the restructuring of Greek public debt were announced, several documents relating to this matter having been issued: “Announcement of the Eurogroup”, "Announcement of the Ministry of Finance of the Hellenic Republic" and "Invitation Memorandum of the Hellenic Republic". The main terms of the announced agreement were as follows:

- debt forgiveness of 53.5% of the nominal value of debt securities issued by the Greek Government held by private entities;
- exchange of 46.5% of the previous debt securities issued by the Greek Government for:
  - (i) new debt securities issued by the Greek Government with a nominal value equal to 31.5% of the nominal value of the previously held securities. The new securities mature in 2042, with partial repayment from 2023 onwards and the following remuneration: 2% annually up to 2015; 3% annually from 2015 to 2020; 3.65% in 2021 and 4.3% annually after 2021; and
  - (ii) debt securities of the European Financial Stability Fund with maturity of one and two years, with a nominal value equal to 15% of the nominal value of the previously held debt securities issued by the Greek Government.
- Issuance of Greek Republic securities (“Detachable GDP-Linked Securities”), with a nominal value equal to the nominal value of the new Greek debt securities, that may have annual remuneration of 1% from 2015 onwards if the Greek Gross Domestic Product achieves certain goals;
- exchange of the accrued interest up to February 24, 2012 relating to the previous debt securities issued by the Greek Government for debt securities of the European Financial Stability Fund with maturity of six months.

Banco BPI decided to accept the Exchange Offer terms and the transaction was carried out on 12 March 2012. The terms of the Exchange Offer represented a loss of approximately 77%, in terms of the present value of the new securities received in the Exchange Offer in relation to the nominal amount of the debt securities issued by the Greek Government owned by the BPI Group at December 31, 2011. The present value of the new securities received in the Exchange Offer was determined as follows:

(i) market prices at the date of the Exchange Offer (March 12, 2012) of the new debt securities issued by the Greek Government and of the debt securities issued by the European Financial Stability Fund;

(ii) present value of the amounts referred to in paragraph (i) above to December 31, 2011 based on the original effective interest rate of the previous debt securities issued by the Greek Government;

(iii) consideration of a zero value for the Greek Republic "Detachable GDP-Linked Securities".

Therefore, regarding the exposure to debt securities issued by the Greek government, in 2011 the Banco BPI recognized impairment losses of 468 898 t. euro. Determination of these losses was made as follows:

- On October 31, 2011 Banco BPI recognized impairment losses on Greek debt securities included in the financial assets available for sale portfolio (nominal value of 480 000 t. euro). The impairment losses recorded in the statement of income in the amount of 400 549 t. euro, were based on the market price at that date (36.25%) and included 54 346 t. euro of unrealized losses arising from the interest rate risk hedge accounting effect. These impairment losses were recorded in the caption "Impairment losses and other provisions, net".

  Due to the significant decrease in trading volumes of Greek public debt securities, after recognition of the impairment losses, Banco BPI reclassified these securities from financial assets available for sale portfolio to the Loans to customer's portfolio at October 31, 2011, by their fair value as of the reclassification date (182 184 t. euro). The effective interest rate on the reclassification date was established based on the available information at that date, considering an expected recoverable amount of 50% of the principal and interest of the securities. As established in IAS 39, this interest rate was used in the calculation of the amortized cost of these securities in the Loans to customer's portfolio, after the reclassification.

- After public announcement of the securities exchange conditions referred to above, Banco BPI recognized additional impairment losses on debt securities issued by the Greek Government, recorded in the Loans to customer's portfolio in the amount of 68 349 t. euro in the consolidated financial statements for 2011, including 6 952 t. euro relating to the hedge accounting effect. This amount was recorded in the statement of income caption Impairment losses and provisions for loans and guarantees.

In the first half of 2012 the Exchange Offer was carried out, Banco BPI having received new debt securities issued by the Greek Government that, as there was an active market, were recorded in the financial assets available for sale portfolio. Banco BPI also received Greek Republic GDP indexed securities ("Detachable GDP – Linked Securities") that were classified in the financial assets at fair value through profit or loss portfolio due to their derivative financial instrument characteristics.

On June 30, 2012 Banco BPI recognized impairment losses of 16 102 t. euro on the new Greek public debt securities, determined based on their fair value, in accordance with the prices available in international markets. In the second half of 2012 Banco BPI sold these securities. Impairment of 2 443 t. euro was used and the amount of 13 659 t. euro was reversed (Note 4.20).

The BPI Group's exposure, excluding the insurance capitalization portfolios of BPI Vida e Pensões, to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at June 30, 2013 is as follows, by residual period to maturity:

Maturity	**2013**	**2014**	**2015 to 2020**	**> 2021**	**Total**
Portugal	796 667	2 774 611	1 602 289	23 476	5 197 043
Ireland			363 388		363 388
	796 667	**2 774 611**	**1 965 677**	**23 476**	**5 560 431**

The ratings of Portugal, Greece and Ireland are the following:

	Jun. 30, 13			Dec. 31, 12		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB	Ba3	BB+	BB	Ba3	BB+
Greece	B-	C	B-	B-	C	CCC
Ireland	BBB+	Ba1	BBB+	BBB+	Ba1	BBB+

In addition, at June 30, 2013, some insurance capitalization portfolios of BPI Vida e Pensões, fully consolidated in the financial statements of the BPI Group, held Portuguese and Greek 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	**160 030**	**111 004**	**110 749**	
Portugal	111 473	110 512	110 257	
Greece	48 557	492	492	
Loans and other receivables	**200 000**	**199 515**		
Portugal	200 000	199 515		
Total exposure	**360 030**	**310 519**	**110 749**	

As previously mentioned, in the first half of 2012 the Exchange Offer under the private sector involvement in the restructuring of the Greek Public debt was carried out, BPI Vida e Pensões having received new debt securities issued by the Greek Government, which were recorded in the financial assets at fair value through profit or loss portfolio.

In 2011 BPI Vida e Pensões recognized impairment losses of 117 733 t. euro on debt securities issued by the Greek Government, as a result of the agreement regarding the private sector involvement in the restructuring of Greek public debt. The impairment losses were determined as follows:

- On October 31, 2011 impairment losses of 78 135 t. euro were recognized in the insurance capitalization portfolio for debt securities issued by the Greek Government, recorded in the held to maturity investments portfolio considering an expected recoverable amount of 50% of the principal and interest of the securities, based on the available information at that date.

  The debt securities issued by the Greek Government recorded in the held to maturity investments portfolio of BPI Vida e Pensões were assigned to two types of products:

  - Products with guaranteed principal and income and a discretionary participation feature (insurance contracts), namely the “Novo Aforro Familiar” and “Reforma Aforro PPR” - impairment losses of 72 999 t. euro were recorded in the caption “Technical result of insurance contracts”;

  - Products with guaranteed principal and interest at the maturity date (investment contracts) - impairment losses of 5 136 t. euro were recorded in the caption “Impairment losses and other provisions, net”.

- As previously mentioned, the BPI Group decided to accept the Exchange Offer terms and the transaction was carried out on March 12, 2012. The Exchange Offer terms represented a loss of approximately 77%, in terms of the present amount of the new securities received in the Exchange Offer in relation to the nominal amount of debt securities issued by the Greek Government owned by the BPI Group at December 31, 2011. Therefore, BPI Vida e Pensões recorded additional impairment losses for debt securities issued by the Greek Government of 39 598 t. euro, in the caption “Impairment losses and other provisions, net”. The present value of the new securities received in the Exchange Offer was determined as previously explained.

The insurance capitalization products to which these bonds are assigned contain specific and differentiated rules for profit participation, so the share of potential losses attributable to Banco BPI depends on the profitability of the respective portfolios.

In 2011, despite the losses recorded for the debt securities issued by the Greek Government, Banco BPI decided to attribute a positive return to the holders of “Aforro” products. Recognition of the impairment losses on the debt securities issued by the Greek Government held by BPI Vida e Pensões had an overall impact of 90 849 t. euro on profit before tax of the BPI Group.

In the second half of 2012 the government bonds issued by Greece and held by BPI Vida e Pensões were sold. The Greek bonds linked to GDP ("Detachable GDP - Linked Securities"), the book value of which amounts to 492 t. euro and 336 t. euro at June 30, 2013 and December 31, 2012, respectively, were kept in the portfolio.

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal and Greece, at June 30, 2013 is made up as follows, by residual period of maturity:

Maturity	**2013**	**2014**	**2015 to 2020**	**> 2021**	**Total**
Portugal	15 932	90 537	103 558	100 000	310 027
Greece				492	492
	15 932	**90 537**	**103 558**	**100 492**	**310 519**

Given the above, the impairment losses recorded by the BPI Group in the second half of 2011 for exposure to debt securities issued by the Greek Government amounted to 586 631 t. euro. The overall impact of the impairment losses on profit before tax of the BPI Group in 2011 amounted to 559 747 t. euro. In 2012, the overall impact resulting from the sale of the debt securities issued by the Greek Government was a loss of 1 489 t. euro.

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, 2013, 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	322 562		322 562
Financial assets held for trading and at fair value through profit or loss	838 787		838 787
Financial assets available for sale	9 582 327	(84 239)	9 498 088
Loans and advances to credit institutions	1 878 193	(3)	1 878 190
Loans and advances to customers	27 908 681	(894 315)	27 014 366
Held to maturity investments	253 029		253 029
Derivatives			
Hedging derivatives	205 958		205 958
Trading derivatives [1]	261 803		261 803
	41 251 340	(978 557)	40 272 783
Off balance sheet items			
Guarantees given	2 001 136	(50 370)	1 950 766
Irrevocable credit lines	1 788	(508)	1 280
	2 002 924	(50 878)	1 952 046
	43 254 264	(1 029 435)	42 224 829

[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, 2012, 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	453 438		453 438
Financial assets held for trading and at fair value through profit or loss	782 619		782 619
Financial assets available for sale	10 336 603	(83 721)	10 252 882
Loans and advances to credit institutions	1 711 679	(952)	1 710 727
Loans and advances to customers	28 128 630	(783 157)	27 345 473
Held to maturity investments	445 298		445 298
Derivatives			
Hedging derivatives	280 737		280 737
Trading derivatives [1]	329 027		329 027
	42 468 031	(867 830)	41 600 201
Off balance sheet items			
Guarantees given	2 185 640	(48 097)	2 137 543
Irrevocable credit lines	1 582	(9)	1 573
	2 187 222	(48 106)	2 139 116
	44 655 253	(915 936)	43 739 317

[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, 2013, 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	1 774	60 901	131 589	311 877	23 792	529 933
Impairment	(285)	(23 372)	(63 176)	(177 110)	(13 314)	(277 257)
	1 489	37 529	68 413	134 767	10 478	252 676
Subject to collective assessment						
Overdue loans and interest	566	12 591	84 308	318 494	63 864	479 823
Impairment	(154)	(3 069)	(28 871)	(157 208)	(32 500)	(221 802)
	412	9 522	55 437	161 286	31 364	258 021

In addition, at June 30, 2013, collective impairment of 395 259 t. euro was recognized on performing loans and advances to credit institutions and loans and advances to costumers.

Overdue loans and interest at December 31, 2012, 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	73	11 369	144 688	261 983	19 155	437 268
Impairment	(27)	(4 069)	(55 521)	(150 969)	(11 917)	(222 503)
	46	7 300	89 167	111 014	7 238	214 765
Subject to collective assessment						
Overdue loans and interest	778	12 629	102 825	309 683	54 216	480 131
Impairment	(196)	(3 017)	(37 835)	(147 036)	(26 282)	(214 366)
	582	9 612	64 990	162 647	27 934	265 765

In addition, at December 31, 2012, collective impairment of 347 240 t. euro was recognized on performing loans and advances to credit institutions and loans and advances to costumers.

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, 2013 was as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	159 450	193 998	353 448	342 226	11 222	106 385
>=75% and <100%	92 098	135 021	227 119	188 856	18 489	62 004
>=50% and <75%	2 085	37 260	39 345	24 905	1 064	15 586
>=25% and <50%	2 710	9 815	12 525	4 703	440	6 186
>=0 and <25%	34 216	8 909	43 125	668	1 666	10 641
Without collateral	197 600	624 756	822 356			377 994
Total	**488 159**	**1 009 759**	**1 497 918**	**561 358**	**32 881**	**578 796**

[1] The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at June 30, 2013.

[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 79 737 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, 2013 is as follows:

Loans with impairment		Collateral [1]		Impairment [3]
Coverage	Performing loans	Mortgages	Other collateral [2]	
Loans not represented by securities				
>=100%	196 877	185 701	11 175	45 644
>=75% and <100%	10 422	8 803	305	1 394
>=50% and <75%	5 671	2 783	690	1 400
>=25% and <50%	45 891	4 029	13 801	3 930
>=0 and <25%	9 942	380	1 227	5 882
Without collateral	222 969			70 588
	491 772	201 696	27 198	128 838
Loans represented by securities				
Without collateral	31 098			10 969
Guarantees provided				
>=100%	17 082	12 516	4 566	1 603
>=75% and <100%	190	151		19
>=50% and <75%	15		8	8
>=25% and <50%	239	29	34	40
>=0 and <25%	30 117		392	9 880
Without collateral	140 272			24 618
	187 915	12 696	5 000	36 168
	710 785	**214 392**	**32 198**	**175 975**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at June 30, 2013.

[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 coverage of overdue loans by collateral received at December 31, 2012 is as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	197 012	236 906	433 919	419 588	14 331	117 678
>=75% and <100%	83 542	127 090	210 632	181 726	13 475	69 880
>=50% and <75%	3 065	30 941	34 006	20 708	1 526	12 351
>=25% and <50%	209	8 667	8 876	3 278	349	5 079
>=0 and <25%	26 685	5 821	32 506	208	1 620	7 718
Without collateral	197 621	507 974	705 595			302 292
Total	**508 135**	**917 399**	**1 425 534**	**625 508**	**31 301**	**514 998**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at December 31, 2012.

[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 78 129 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, 2012 is as follows:

Loans with impairment		Collateral [1]		Impairment [3]
Coverage	Performing loans	Mortgages	Other collateral [2]	
Loans not represented by securities				
>=100%	132 251	121 519	10 732	27 396
>=75% and <100%	9 311	7 132	1 141	2 275
>=50% and <75%	8 342	4 593	708	2 212
>=25% and <50%	33 605	1 429	12 345	1 456
>=0 and <25%	17 438	212	1 168	6 278
Without collateral	238 505			63 632
	439 452	134 885	26 094	103 249
Loans represented by securities				
Without collateral	32 096			11 178
Guarantees provided				
>=100%	16 900	12 213	4 687	1 648
>=75% and <100%				
>=50% and <75%	24	17		2
>=25% and <50%	435	126	34	49
>=0 and <25%	30 540	1	397	6 098
Without collateral	146 658			25 892
	194 557	12 357	5 118	33 689
	666 105	**147 242**	**31 212**	**148 116**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at December 31, 2012.

[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.

Credit risk quality (rating)

This section presents information concerning the quality of the credit risk of the BPI Group's main financial assets, excluding derivatives which are analyzed in detail in Note 4.4.. In the case of financial assets with ratings assigned by the international rating agencies (Moody, 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 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 companies and entrepreneurs and business exposure), 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, loans granted locally by Banco de Fomento de Angola which uses its own methodologies.

As from June 30, 2013 the distribution of exposures of the entrepreneurs and business segment is presented in accordance with the classification of the counterparties by the current internal rating system of the BPI Group.

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).

Deposits and loans and advances to credit institutions, by ratings, at June 30, 2013 are 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-	963 936		963 936
		A+ to A-	10		10
		BBB+ to BBB-	212 428	1	212 427
		BB+ to BB-	941 407		941 407
		B+ to B-	2 855	2	2 853
	N/A	N/A	94		94
			2 120 730	3	2 120 727

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to costumers, by ratings, at June 30, 2013 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	External rating	AAA to AA-	7 648		7 648
		A+ to A-	7 216		7 216
		BBB+ to BBB-	277 449	720	276 729
		BB+ to BB-	2 004 030	596	2 003 434
		B+ to B-	99 000		99 000
		< B-	237 550		237 550
	Project Finance rating	Strong	214 822		214 822
		Good	951 340	212	951 128
		Satisfactory	283 651	151	283 500
		Weak	219 641	13 426	206 215
	Companies rating	E01 to E03	698 306	2 594	695 712
		E04 to E06	2 476 469	36 754	2 439 715
		E07 to E10	1 770 854	40 689	1 730 165
		ED1 to ED3	659 754	285 032	374 722
	Entrepreneur and Business Rating	N01 to N03	42 503	280	42 223
		N04 to N06	418 986	3 301	415 685
		N07 to N10	631 018	8 101	622 917
		ND1 to ND3	278 949	127 541	151 408
	Scoring	01 to 03	8 114 792	14 940	8 099 852
		04 to 06	2 241 339	8 267	2 233 072
		07 to 10	1 789 835	21 358	1 768 477
		D01 to D03	656 655	189 677	466 978
	N/A	N/A	3 731 524	140 676	3 590 848
			27 813 331	894 315	26 919 016

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at June 30, 2013 is as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	56 006		56 006
		A+ to A-	252 263		252 263
		BBB+ to BBB-	1 978 889		1 978 889
		BB+ to BB-	7 173 091	178	7 172 913
		B+ to B-	195 040		195 040
		< B-	17 400		17 400
	N/A	N/A	997 679	84 061	913 618
			10 670 368	84 239	10 586 129

Deposits and loans and advances to credit institutions, by ratings, at December 31, 2012 are 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-	1 211 817		1 211 817
		A+ to A-	2 465		2 465
		BBB+ to BBB-	122 856	950	121 906
		BB+ to BB-	737 308		737 308
		B+ to B-	2 838	2	2 836
	N/A	N/A	427		427
			2 077 711	952	2 076 759

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to costumers, by ratings, at December 31, 2012 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	External rating	AAA to AA-	92 583		92 583
		A+ to A-	8 284		8 284
		BBB+ to BBB-	183 960	724	183 236
		BB+ to BB-	1 889 286	585	1 888 701
		B+ to B-	85 317		85 317
		< B-	210 283	3 790	206 493
	Project Finance rating	Strong	205 214		205 214
		Good	1 053 582	134	1 053 448
		Satisfactory	223 610	53	223 557
		Weak	247 414	13 889	233 525
	Internal rating	E01 to E03	1 243 797	4 760	1 239 037
		E04 to E06	2 700 180	10 842	2 689 338
		E07 to E10	1 927 231	40 225	1 887 006
		ED1 to ED3	86 891	49 631	37 260
	Scoring	01 to 03	8 375 878	15 702	8 360 176
		04 to 06	2 389 164	8 765	2 380 399
		07 to 10	1 609 770	19 342	1 590 428
		D01 to D03	1 145 608	366 551	779 057
	N/A	N/A	4 378 124	248 164	4 129 960
			28 056 176	783 157	27 273 019

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at December 31, 2012 is as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	64 469		64 469
		A+ to A-	264 934		264 934
		BBB+ to BBB-	2 277 882		2 277 882
		BB+ to BB-	7 820 106	243	7 819 863
		B+ to B-	181 751		181 751
		< B-	38 271		38 271
	N/A	N/A	914 748	83 478	831 270
			11 562 161	83 721	11 478 440

Restructured loans

In May 2012 the Bank of Portugal published Instruction 18/2012 which defines restructured credit due to financial difficulties of the client.

According to the Bank of Portugal's definition, a loan operation is considered to have been restructured, due to the financial difficulties of a client, when the institution agrees to change the contractual terms of existing loan operations (namely, extension of the repayment period, introduction of grace periods, capitalization of interest, reduction of interest rates, forgiveness of principal or interest), or agrees to grant new credit facilities for payment (total or partial) of the existing debt service.

Whenever a restructured loan operation represents more than 25% of the total exposure to the same Client, all the loan operations of that Client are considered as restructured loan operations.

A loan operation is no longer considered as restructured after 12 months, as long as during that period the Client has not defaulted or applied for a restructuring mechanism.

The following restructured loan operations have been identified at June 30, 2013 and at December 31, 2012:

	Jun. 30, 13				Dec. 31, 12			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Companies	713 206	184 573	897 780	220 805	549 764	173 664	723 429	176 926
Loans to individuals								
Housing	118 193	39 684	157 877	38 862	77 218	38 300	115 518	25 591
Other loans	49 884	12 581	62 465	13 052	38 051	9 837	47 888	9 987
	881 284	236 838	1 118 122	272 719	665 033	221 802	886 835	212 503

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were:

- in the case of interest depending on market indices or other references which are only identifiable on a future date (such as. interest based on the Euribor) assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at June 30, 2013 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	1 257 194						1 257 194
Deposits at other credit institutions	249 322	73 239					322 561
Financial assets held for trading and at fair value through profit or loss		37 259	235 610	92 665	108 866	364 387	838 787
Financial assets available for sale		667 854	3 980 580	1 131 129	3 323 413	479 351	9 582 327
Held-to-maturity investments		112 123	40 796	95 243	1 092		249 254
Loans and advances to credit institutions		1 764 938	85 172	12 033	9 264		1 871 407
Loans and advances to customers		3 492 827	2 679 137	7 981 095	12 612 162	1 009 756	27 774 978
Hedging derivatives[1]		2 361 660	3 904 174	6 927 956	3 259 754		16 453 545
Trading derivatives [1]		400 279	422 299	4 658 405	1 542 467		7 023 450
Contractual interest cash flows of derivatives		50 249	174 878	433 362	264 958		923 448
Contractual interest cash flows of other assets	117	1 385 492	709 137	2 536 714	2 300 556		6 932 016
	1 506 633	10 345 921	12 231 782	23 868 604	23 422 534	1 853 494	73 228 967
Liabilities							
Resources of central banks		86 069		4 000 000			4 086 069
Financial liabilities held for trading				97			97
Resources of other credit institutions		1 601 851	17 591	180 400	74 045		1 873 887
Resources of customers and other debts	8 048 463	7 301 548	5 715 283	3 833 524	261 205		25 160 023
Debt securities		190 937	342 955	2 200 690	71 676		2 806 259
Financial liabilities relating to transferred assets				450 471	1 028 574		1 479 045
Hedging derivatives [1]		2 358 629	3 898 764	6 929 960	3 258 974		16 446 328
Trading derivatives [1]		400 639	416 104	4 609 569	1 539 003		6 965 315
Technical provisions		213 620	788 435	763 640	586 527		2 352 222
Contingent convertible subordinated bonds				1 000 000			1 000 000
Other subordinated debt and participating bonds		61 973	9 746	72 347			144 066
Contractual interest cash flows of derivatives		70 198	220 274	821 117	350 374		1 461 963
Contractual interest cash flows of other liabilities		120 401	88 698	531 123	119 521		859 743
	8 048 463	12 405 865	11 497 850	25 392 940	7 289 899		64 635 017

[1] Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at December 31, 2012 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	1 269 280						1 269 280
Deposits at other credit institutions	371 272	82 165					453 437
Financial assets held for trading							
and at fair value through profit or loss		9 661	51 664	330 678	56 332	334 284	782 619
Financial assets available for sale		3 431 843	1 938 843	1 481 037	3 050 760	434 120	10 336 603
Held-to-maturity investments		51 010	135 041	252 833	4 055		442 939
Loans and advances to credit institutions		1 473 065	197 778	22 579	13 017		1 706 439
Loans and advances to customers		4 488 365	2 254 512	7 735 317	12 611 427	917 399	28 007 020
Hedging derivatives[1]		1 717 918	5 560 305	5 252 614	3 282 538		15 813 376
Trading derivatives [1]		538 556	649 070	4 918 850	1 642 569		7 749 045
Contractual interest cash flows of derivatives		87 963	167 976	497 908	299 158		1 053 005
Contractual interest cash flows of other assets	86	300 562	724 167	2 432 397	2 447 074		5 904 285
	1 640 638	12 181 107	11 679 356	22 924 213	23 406 930	1 685 803	73 518 047
Liabilities							
Resources of central banks		237 755		4 000 000			4 237 755
Financial liabilities held for trading				92	141		233
Resources of other credit institutions		2 251 623	72 279	165 317	67 850		2 557 069
Resources of customers and other debts	7 811 055	7 033 792	7 321 029	1 952 568	273 287		24 391 731
Debt securities		429 191	763 014	2 192 043	274 655		3 658 903
Financial liabilities relating to transferred assets			56 167	525 894	1 008 997		1 591 058
Hedging derivatives [1]		1 714 745	5 552 880	5 250 911	3 281 981		15 800 517
Trading derivatives [1]		511 052	670 497	4 929 118	1 651 011		7 761 678
Technical provisions		166 056	688 127	714 070	687 111		2 255 364
Contingent convertible subordinated bonds				1 200 000			1 200 000
Other subordinated debt and participating bonds		59 585	434	96 063			156 082
Contractual interest cash flows of derivatives		72 516	253 301	894 173	460 253		1 680 243
Contractual interest cash flows of other liabilities		242 429	419 323	842 998	177 426		1 682 176
	7 811 055	12 718 744	15 797 052	22 763 246	7 882 713		66 972 809

[1] Includes the notional amount of swap operations.

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The Bank continuously tracks the evolution of its liquidity, monitoring incoming and outgoing funds in real time. Projections of liquidity are carried out in order to help plan the short and medium term funding strategy. In the first half of 2013 the BPI Group repaid medium and long-term debt totaling 40 000 t. euro and received 233 291 t. euro from sales of the securities portfolio. In March 2013 the Bank repaid early 200 000 t. euro, relating to the Contingent convertible subordinated bond issuances, the amount of 1 000 000 t. euro remaining outstanding. Net funding obtained from the ECB in June 2013 amounted to 4 000 000 t. euro, with maturity in 2015 and the possibility of early repayment as from January and February 2013. The Bank has a portfolio of assets eligible for obtaining funding from the ECB, totalling 12 301 392 t. euro at June 30, 2013, net of ECB valuation margins. This amount includes 6 396 438 t. 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 halves of 2013 and 2012 the average VaR in the Bank's trading books was as follows:

	Jun. 30, 13		Dec. 31, 12	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	447	1 474	2 943	8 131
Currency risk	1 281	1 545	468	1 018
Equity risk	977	2 975	646	2 610
Commodities			1	17

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.

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin 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 activity classified in the accounting records as of trading):

	Jun. 30, 13			Jun. 30, 12		
	Financial margin					
Time band	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	2 424 170	2.00%	48 483	2 524 367	2.00%	50 487
on demand - 1 month	(4 451 508)	1.92%	(85 469)	(3 181 923)	1.92%	(61 093)
1 - 2 months	421 071	1.75%	7 369	774 624	1.75%	13 556
2 - 3 months	3 288 961	1.58%	51 966	2 154 962	1.58%	34 048
3 - 4 months	139 430	1.42%	1 980	352 295	1.42%	5 003
4 - 5 months	(469 680)	1.25%	(5 871)	(473 901)	1.25%	(5 924)
5 - 6 months	2 310 421	1.08%	24 953	2 477 318	1.08%	26 755
6 - 7 months	611 675	0.92%	5 627	66 134	0.92%	608
7 - 8 months	164 327	0.75%	1 232	286 907	0.75%	2 152
8 - 9 months	386 605	0.58%	2 242	723 652	0.58%	4 197
9 - 10 months	246 052	0.42%	1 033	(124 951)	0.42%	(525)
10 - 11 months	803 289	0.25%	2 008	121 762	0.25%	304
11 - 12 months	(99 733)	0.08%	(80)	139 731	0.08%	112
Total			55 474			69 680

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 re-pricing gaps.

At June 30, 2013 BPI had a liability of 1 000 000 t. euro at a fixed interest rate, corresponding to the contingent convertible subordinated bonds. 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. At June 30, 2012 the liability of these bonds was 1 500 000 t. euro, which was partially offset by 891 045 t. euro of fixed rate assets (Portuguese public debt). Other than these two positions, the BPI Group had no significant exposure to medium and long term fixed interest rate operations.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[1]. This stress test was based on the following exposures in shares and participating units:

	Jun. 30, 13	Dec. 31, 12
Financial assets held for trading and at fair value through profit or loss	17 060	16 533
Financial assets available for sale - at fair value and without impairment	125 596	117 586
Financial assets available for sale - at fair value and with impairment	9 825	7 363
Financial assets available for sale at historical cost	8 126	8 799
Participating units in liquidity, bond and real estate funds	249 827	238 130
	410 434	**388 411**

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, 2013 and at December 31, 2012, would result in a decrease of 30 496 t. euro and 28 296 t. euro, respectively, in their fair value, implying the recognition of a loss of 5 377 t. euro and 4 779 t. euro, the remaining devaluation being reflected in the fair value reserve.

1 Excluding securities held by BPI Vida e Pensões.

Currency risk

Financial assets and liabilities at June 30, 2013, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at Central Banks	244 638	531 005	478 786	2 881	1 257 310
Deposits at other credit institutions	280 316	17 698	6 359	18 189	322 562
Financial assets held for trading and at fair value through profit or loss	903 534	72 204	107 619	17 233	1 100 590
Financial assets available for sale[1]	8 392 244	1 182 586	520 156	440	10 095 426
Loans and advances to credit institutions	686 731	469 954	719 914	1 591	1 878 190
Loans and advances to customers	25 501 642	618 935	754 100	139 689	27 014 366
Held-to-maturity investments	253 029				253 029
Hedging derivatives	199 941	1 014		5 003	205 958
Debtors and other applications	40 191	110 499	3 699	1 997	156 386
	36 502 266	3 003 895	2 590 633	187 023	42 283 817
Liabilities					
Resources of central banks	4 057 149	29 818		45 796	4 132 763
Financial liabilities held for trading	255 326	4 725	309	417	260 777
Resources of other credit institutions	1 580 496	300 595	34	2 874	1 883 999
Resources of customers and other debts	18 656 610	4 326 158	2 176 066	220 120	25 378 954
Debt securities	2 790 891	51 307		42 332	2 884 530
Financial liabilities relating to transferred assets	1 477 959				1 477 959
Hedging derivatives	601 795	14 506		171	616 472
Provisions	104 582	22 815	1 527	743	129 667
Technical provisions	2 352 222				2 352 222
Contingent convertible subordinated bonds	1 041 633				1 041 633
Other subordinated debt and participating bonds	144 350				144 350
	33 063 013	4 749 924	2 177 936	312 453	40 303 326
Forward currency operations	(1 962 808)	1 816 623	57 990	182 103	93 908
		70 594	470 687	56 673	
Stress Test		14 119	141 206	11 335	

[1] Excludes the amount recorded in the Fair Value Reserve.

Financial assets and liabilities at December 31, 2012, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at Central Banks	219 911	537 256	506 161	6 037	1 269 365
Deposits at other credit institutions	397 962	21 987	3 661	29 828	453 438
Financial assets held for trading and at fair value through profit or loss	886 211	61 625	153 353	10 457	1 111 646
Financial assets available for sale[1]	8 925 730	1 216 217	780 385	439	10 922 771
Loans and advances to credit institutions	774 005	432 433	503 551	738	1 710 727
Loans and advances to customers	25 864 452	671 942	658 021	151 058	27 345 473
Held-to-maturity investments	445 298				445 298
Hedging derivatives	272 298	2 058		6 381	280 737
Debtors and other applications	32 674	120 098	4 136	525	157 433
	37 818 541	3 063 616	2 609 268	205 463	43 696 888
Liabilities					
Resources of central banks	4 253 485	17 433			4 270 918
Financial liabilities held for trading	337 501	2 418		245	340 164
Resources of other credit institutions	2 287 215	279 637	34	1 535	2 568 421
Resources of customers and other debts	18 177 700	4 100 503	2 130 536	212 400	24 621 139
Debt securities	3 582 689	141 648		63 290	3 787 627
Financial liabilities relating to transferred assets	1 590 984				1 590 984
Hedging derivatives	796 953	17 741		289	814 983
Provisions	104 466	31 822	1 241	869	138 398
Technical provisions	2 255 364				2 255 364
Contingent convertible subordinated bonds	1 200 279				1 200 279
Other subordinated debt and participating bonds	156 331				156 331
	34 742 967	4 591 202	2 131 811	278 628	41 744 608
Forward currency operations	(1 688 058)	1 606 958	(4 927)	136 378	50 351
		79 372	472 530	63 213	
Stress Test		15 874	141 759	12 643	

[1] Excludes the amount recorded in the Fair Value Reserve.

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 minority interests.

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 its exposure (nominal value contracted).

The book value of hedged instruments and fair value of hedging instruments at June 30, 2013 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	422 133	2 931	(2 199)	38 353	461 218	499 066	(6 025)	(40 006)	(46 031)
Fixed rate securities portfolio	3 891 740	(484 448)		487 703	3 894 995	3 921 427	(33 993)	(489 665)	(523 658)
	4 313 873	(481 517)	(2 199)	526 056	4 356 213	4 420 493	(40 018)	(529 671)	(569 689)
Liabilities									
Resources of credit institutions	20 000	312		8 727	(29 039)	20 000	287	8 722	9 009
Customer deposits	8 236 310	56 195		20 184	(8 312 689)	9 349 912	51 626	9 119	60 745
Debt issues	1 958 337	5 962		62 139	(2 026 438)	2 705 374	5 902	83 519	89 421
	10 214 647	62 469		91 050	(10 368 166)	12 075 286	57 815	101 360	159 175

Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at December 31, 2012 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	453 244	2 923	(2 034)	49 156	503 289	510 982	(5 605)	(50 454)	(56 059)
Fixed rate securities portfolio	4 106 188	(653 199)		637 218	4 090 207	4 177 128	(72 452)	(638 974)	(711 426)
	4 559 432	(650 276)	(2 034)	686 374	4 593 496	4 688 110	(78 057)	(689 428)	(767 485)
Liabilities									
Resources of credit institutions	20 000	781		10 505	(31 286)	20 000	735	14 902	15 637
Customer deposits	6 975 159	60 301		43 844	(7 079 304)	7 595 104	50 477	29 483	79 960
Debt issues	2 780 546	21 312		96 059	(2 897 917)	3 647 520	21 293	116 349	137 642
	9 775 705	82 394		150 408	(10 008 507)	11 262 624	72 505	160 734	233 239

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 derivatives 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 halves of 2013 and 2012 were the following:

Fair value types of hedge	**Jun. 30, 13**	**Jun. 30, 12**
Hedging derivatives	87 950	(100 090)
Hedged items		
Loans and advances to credit institutions		(83)
Loans to customers	(10 803)	9 130
Fixed rate securities portfolio	(134 379)	96 272
Resources of credit institutions	1 778	(1 458)
Customer deposits	24 896	(13 602)
Debt issues	31 866	37 018
	(86 642)	127 277
	1 308	27 187

The caption gain on debt issues at June 30, 2013 and 2012 includes 408 t. euro and 26 639 t. euro relating to gain on the repurchase of bond issues.

4.49. Share-based variable remuneration program

The share-based variable remuneration program (Remuneração Variável em Acções - RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and employees of the BPI Group (in the latter case provided that it exceeds 2500 euro) it is made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolutive condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which expires on a gradual basis over the three years following the grant date (25% each year). The options to purchase shares may be exercised between the 90th day to the fifth year as from the grant date. In accordance with the RVA Regulations, termination of the employment relationship between the Employee and the BPI Group also affects the options granted.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those referred above for Employees. As from RVA 2010, the shares and share options granted to the Executive Directors under the RVA program are subject to the following 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, observing the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspensive condition of non termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspensive term of three years as from the grant date and the strike period for the share options only begins after that period.

During the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

In the case of RVA 2007, the employees whose variable remuneration was equal to or greater than 2 500 euro and less than or equal to 10 000 euro could choose to receive this amount fully in "cash". In the case of RVA 2008, 2009, 2010, 2011 and 2012, Executive Directors and employees, whose variable remuneration was equal to or greater than 2 500 euro could choose to receive the variable remuneration entirely in "cash" without affecting the deferral of the availability and Conditions of Access referred to above to up to 50% of the variable remuneration paid to the Executive Directors.

In 2006 there was no RVA because Banco BPI was under a public share purchase offering. All the other RVA programs remain in force under the conditions mentioned in this note.

The price of the shares granted corresponds to the weighted average list price of the BPI shares traded in the last ten stock exchange sessions prior to the date the shares are granted. The price of the shares granted also corresponds to the strike price of the options.

The shares are made available (in the three years following the date they are attributed) subject to the beneficiaries remaining with the BPI Group. The price of the shares attributed, as well as the period in which they are made available, are summarized in the following table:

Program	Shares				
	Date of assignment	Strike price	Date of availability of tranches		
			2nd	3rd	4th
RVA 2008	2009-03-16	1.26	2010-03-16	2011-03-16	2012-03-16
RVA 2009	2010-03-11	1.72	2011-03-11	2012-03-11	2013-03-11
RVA 2010	2011-04-29	1.25	2012-04-29	2013-04-29	2014-04-29
RVA 2011	2012-05-28	0.37	2013-05-28	2014-05-28	2015-05-28
RVA 2012	2012-12-19	0.87	2013-12-19	2014-12-19	2015-12-19

The share options can be exercised between the 90th day and the end of the 5th year following the date they were attributed. The share options are made available subject to the beneficiaries remaining with the BPI Group.

The strike prices of the options, as well as the period the options can be exercised, are summarized in the following table:

Program	Options			
	Date of assignment	Strike Price[1]	Strike Period	
			From	To
RVA 2007	2008-03-21	2.85	2008-06-23	2013-03-21
RVA 2008	2009-03-16	1.26	2009-06-17	2014-03-16
RVA 2009	2010-03-11	1.72	2010-06-12	2015-03-11
RVA 2010	2011-04-29	1.11	2011-07-30	2016-04-29
RVA 2011	2012-05-28	0.36	2012-08-29	2017-05-28
RVA 2012	2012-12-19	0.87	2013-03-19	2017-12-19

[1] Strike price after considering the effect of the share capital increase made in August 2012.

By decision of the Shareholders' General Meeting of the Bank, the members of Executive Commission of the Board of Directors implemented an RVA plan (with a suspensive condition) the availability and strike periods of which are shown in the following tables:

Program	Shares		
	Date of assigment	Strike price	Date of availability
RVA 2010	2011-04-29	1.25	2014-04-29

Program	Options			
	Date of assignment	Strike price[1]	Strike period	
			From	To
RVA 2010	2011-04-29	1.11	2014-04-29	2017-04-29

[1] Strike price after considering the effect of the share capital increase made in August 2012.

The number of employees and directors covered by the RVA 2012 and RVA 2011 programs was as follows:

	RVA 2012	RVA 2011
Directors	0	0
Employees	135	66
	135	66

The total cost of the RVA programs is as follows:

Program	Total cost		
	Shares	Options	Total
RVA 2001	2 478	2 478	4 956
RVA 2002	2 507	2 507	5 014
RVA 2003	3 202	2 272	5 474
RVA 2004	3 834	2 169	6 003
RVA 2005	4 006	3 075	7 081
RVA 2007	2 649	5 938	8 587
RVA 2008	115	634	749
RVA 2009	29	814	843
RVA 2010	29	738	767
RVA 2011	8	211	219
RVA 2012	53	609	662
RVA 2013	48	552	600
	18 958	**21 997**	**40 955**

The RVA 2013 amounts are estimated for the whole year.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES OF THE BPI GROUP

Shares

The Bank, for purposes of the share-based payment program, acquires a portfolio of BPI shares and transfers ownership of the shares to the employees on the date the RVA remuneration is granted.

The changes in the number of shares not yet made available to the employees of the BPI Group in the first half of 2013 and in 2012, as well as the fair value of the respective instruments, are as follows:

	RVA 2008			RVA 2009			RVA 2010			RVA 2011			RVA 2012		
	Number of shares	Fair value On the date attributed	Fair value On the reference date	Number of shares	Fair value On the date attributed	Fair value On the reference date	Number of shares	Fair value On the date attributed	Fair value On the reference date	Number of shares	Fair value On the date attributed	Fair value On the reference date	Number of shares	Fair value On the date attributed	Fair value On the reference date
Shares attributed in 2011	131 305	169	63	15 706	28	8	7 059	8	3						
Shares made available in 2011	92 448	119	44	7 455	13	4	1651	2	1						
Shares made available early in 2011	5 659	7	3	120											
Shares refused in 2011															
Shares not made available at December 31, 2011	33 198	43	16	8 131	14	4	5 408	6	3						
Shares attributed in 2012										9 168	3	9	60 923	53	57
Shares made available in 2012	33 198	42	31	4 036	7	4	1780	2	2	2 301	1	2	15 257	13	14
Shares made available early in 2012															
Shares refused in 2012															
Shares not made available at December 31, 2012				4 095	7	4	3 628	4	3	6 867	2	6	45 666	40	43
Shares attributed in 2013															
Shares made available in 2013				4 095	7	4	1785	2	2	2 289	1	2			
Shares made available early in 2013															
Shares refused in 2013															
Shares not made available at June 30, 2013							1843	2	2	4 578	2	4	45 666	40	41

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 2013 and in 2012, as well as their respective fair values are as follows:

	RVA 2007			RVA 2008			RVA 2009			RVA 2010			RVA 2011			RVA 2012		
		Fair value			Fair value			Fair value			Fair value			Fair value			Fair value	
	Number of options	On the date attributed	On the reference date	Number of options	On the date attributed	On the reference date	Number of options	On the date attributed	On the reference date	Number of options	On the date attributed	On the reference date	Number of options	On the date attributed	On the reference date	Number of options	On the date attributed	On the reference date
Options attributed up to 2011	16 301093	5 836		3 548 826	1207	20	2 287 885	764	6	837 481	210	16						
Options made available until 2011	16 301093	5 836		3 548 826	1207	20	2 287 885	764	6	837 481	210	16						
Options cancelled in 2011	483 635	173		4 853	2													
Options exercised in 2011	1878	1		1119 935	381	6												
Options in circulation and exercisable at December 31, 2011	15 815 580	5 662		2 424 038	824	13	2 287 885	764	6	837 481	210	16						
Options in circulation at December 31, 2011	15 815 580	5 553		2 424 038	807	133	2 287 885	747	93	837 481	206	171						
Options attributed in 2012	315 470	111		50 429	17	3	49 923	16	2	18 280	4	4	1194 011	145	767	2 173 552	602	778
Options made available in 2012	315 470	111		50 429	17	3	49 923	16	2	18 280	4	4	1194 011	145	767	2 173 552	602	778
Options cancelled in 2012	562																	
Options exercised in 2012													461339	56	296			
Options in circulation and exercisable at December 31, 2012	16 130 488	5 663		2 474 467	824	136	2 337 808	763	95	855 761	210	174	732 672	89	470	2 173 552	602	778
Options in circulation at December 31, 2012	16 130 488	5 663		2 474 467	824	50	2 337 808	763	47	855 761	210	139	732 672	89	441	2 173 552	602	686
Options attributed in 2013																443 101	123	140
Options made available in 2013																443 101	123	140
Options cancelled in 2013	16 130 488	5 663														412 628	114	130
Options exercised in 2013										3 668	1	1	241277	29	145	43 272	12	14
Options in circulation and exercisable at June 30, 2013	0			2 474 467	824	50	2 337 808	763	47	852 093	209	138	491395	60	295	2 160 753	599	682

The granting and availability of Shares and Options under the RVA 2007, 2008, 2009 and 2010 programs in 2011 and 2012 result from the capital increases in May 2011 and in August 2012.

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 2013 and in 2012, the average price of the shares on the date in which the options were exercised was as follows:

Program	Options exercised in 2013		Options exercised in 2012	
	Number of options	Average price of the shares	Number of options	Average price of the shares
RVA 2010	3 668	1.09		
RVA 2011	241 277	1.27	461 339	0.79
RVA 2012	43 272	1.10		

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 2012 programs.

The critical factors of the model used to manage the RVA programs are as follows:

- Volatility of Banco BPI shares, which was determined as follows:
  - 60% of the historical volatility of Banco BPI shares in the last 3.33 years;
  - 10% of the VIX volatility index;
  - 10% of the VDAX volatility index;
  - 20% of the implicit volatility of the listed options traded in Spain over Spanish banks which are similar to Banco BPI.
- Average expected life of the option, which depends, among others, on the following factors:
  - Responsibility level of the beneficiaries: Directors and other employees;
  - Ratio between the market price and the strike price; and
  - Volatility of the share price.

The model also enables the number of shares of Banco BPI necessary to ensure adequate coverage of the inherent risk of issuing options under the RVA program to be determined.

The parameters used to determine the financial value of the options under each RVA program, as of the date the options are attributed, are as follows:

	RVA 2005	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
BPI listing	4.47	3.33	1.41	1.94	1.25	0.37	0.87
Strike price	4.44	3.33	1.41	1.94	1.25	0.37	0.87
Implicit volatility	17.10%	29.34%	44.27%	32.25%	35.97%	41.70%	39.78%
Interest rate	3.08%	3.73%	3.10%	2.68%	5.15%	3.87%	3.18%
Expected dividends	0.12	0.19	0.07	0.08	0.00	0.00	0.00
Value of the option	0.45	0.41	0.37	0.37	0.28	0.12	0.28

The number of outstanding options under each RVA Program, as well as their respective fair values at June 30, 2013 was as follows:

	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
Number of outstanding options	0	2 474 467	2 337 808	852 093	491 395	2 160 753
Strike price	2.85	1.26	1.72	1.11	0.36	0.87
Value of option	0.00	0.02	0.02	0.16	0.60	0.32

The number of outstanding options under each RVA Program, as well as their respective fair values at December 31, 2012 was as follows:

	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011
Number of outstanding options	16 130 488	2 474 467	2 337 808	855 761	732 672
Strike price	2.85	1.26	1.72	1.11	0.36
Value of option	0.00	0.05	0.04	0.20	0.64

ACCOUNTING IMPACT OF THE RVA PROGRAM

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 program not yet made available to the Employees/Directors at June 30, 2013 and December 31, 2012 are as follows:

Shares	Program	Jun. 30, 13			Dec. 31, 12		
		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/directors, recognized in shareholders' equity	RVA 2009				7		
	RVA 2010	109			95		
	RVA 2011	1			2		
	RVA 2012	21			14		
	RVA 2013	10					
		141			118		
Cost of the shares to be made available to the Group's employees/directors, not recognized in shareholders' equity	RVA 2009				0		
	RVA 2010	(107)			(91)		
	RVA 2011	1			0		
	RVA 2012	19			26		
		(87)			(65)		
	Total	**54**	**52 087**	**47**	**53**	**60 256**	**56**
Treasury shares made available early to the Group's employees/directors	RVA 2007				0		
	RVA 2008				8		
	Total	**0**			**8**		
Treasury shares to be made available early to the Group's employees/directors	RVA 2009				7	4 095	4
	RVA 2010	2	1843	2	4	3 628	3
	RVA 2011	2	4 578	4	2	6 867	6
	RVA 2012	40	45 666	41	40	45 666	43
	Total	**44**	**52 087**	**47**	**53**	**60 256**	**56**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment program responsibilities resulting from the issuance of options to purchase BPI shares in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption "Treasury shares hedging the RVA", where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognized together with transfer of share ownership to the Employees. At that time a gain or loss is recognized, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption "Other equity instruments".

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees/Directors at June 30, 2013 and December 31, 2012 are as follows:

Options	Program	Jun. 30, 13			Dec. 31, 12		
		Book value	Fair value	Unrealized gain/(loss)	Book value	Fair value	Unrealized gain/(loss)
Cost of outstanding options (premiums) recognized in shareholders' equity	RVA 2007				5 725		
	RVA 2008	828			828		
	RVA 2009	814			814		
	RVA 2010	543			496		
	RVA 2011	60			89		
	RVA 2012	599			488		
	RVA 2013	175					
		3 019			8 440		
Cost of outstanding options (premiums) not recognized in shareholders' equity	RVA 2012				121		
	RVA 2013	377					
		377			121		
	Total	**3 396**	**755**	**2 641**	**8 561**	**1 751**	**6 810**
Treasury shares hedging the RVA options	RVA 2007				11 348	3 271	(8 077)
	RVA 2008	3 045	1 342	(1 703)	3 045	1 394	(1 651)
	RVA 2009	3 147	935	(2 212)	3 147	971	(2 176)
	RVA 2010	106	32	(74)	118	36	(82)
	RVA 2011	2 528	702	(1 826)	133	38	(95)
	RVA 2012	8 486	2 624	(5 862)	428	414	(14)
	Total	**17 312**	**5 635**	**(11 677)**	**18 219**	**6 124**	**(12 095)**
Unrealized gain/(loss)				(9 036)			(5 285)

The gain and loss realized on treasury shares hedging the exercise of RVA options, as well as the respective taxes, are recorded directly in shareholders' equity, not affecting net income.

The gain and (loss) recorded in making the shares available and in the exercise of the options, as well as in the corresponding hedge, recorded in shareholders' equity at June 30, 2013 and December 31, 2012, are as follows:

Gain-loss		Program	Jun. 30, 13	Dec. 31, 12
Shares	In making the shares available	RVA 2011		(25)
		RVA 2012		(7)
				(32)
Options	In the exercise of options	RVA 2010	(7)	
		RVA 2011	(731)	(1 283)
		RVA 2012	4	
			(734)	**(1 283)**
	On the sale of hedging shares	RVA 2007		(1 148)
				(1 148)
Transaction costs/ Dividend devolution			**21**	**59**
Premiums of options not exercised at the end of the program		RVA 2007	**5 703**	
			4 990	**(2 404)**

The cost of the share-based remuneration program is accrued in personnel costs, by corresponding entry to the "Other equity instruments" caption, as required by IFRS 2 for share-based payment programs. The cost of the shares and option premiums, when they are granted, is accrued on a straight-line basis from the beginning of the program (January 1) to the date they are made available to the Employees/Directors.

The total cost of the share-based payment program recognized in the first half of 2013 and 2012 was as follows:

Program	Jun. 30, 13			Jun. 30, 12		
	Shares	Options	Total	Shares	Options	Total
RVA 2008				(6)		(6)
RVA 2009				1		1
RVA 2010	16	48	64	16	48	64
RVA 2011				(1)	(3)	(4)
RVA 2012	7	122	129	1	46	47
RVA 2013	10	175	185			
Total	**33**	**345**	**378**	**11**	**91**	**102**

4.50. Capital Management

Under the Economic and Financial Assistance Program agreed in May 2011 between the Portuguese Republic and the International Monetary Fund, the European Central Bank and the European Commission, the Bank of Portugal increased the capital and solvency requirements of Portuguese banks, establishing minimum Core Tier I ratios of 9% at the end of 2011 and 10% as from the end of 2012, on a consolidated basis.

On the other hand, in the European Council of October 26, 2011 measures were approved to restore confidence of the markets regarding sovereign risks of the European Union countries and increase the stability of their financial systems. In accordance with the Recommendation of the European Banking Authority (EBA) of December 8, 2011 (EBA/REC/2011/1), the supervisory authorities must determine that banks constitute a temporary capital buffer to enable them to achieve a capital Core Tier I ratio, on a consolidated basis, of 9% as from June 30, 2012, considering sovereign debt exposures at September 30, 2011 valued at market prices at that date. This Recommendation was accepted by the Bank of Portugal through the Notice 5/2012.

Temporary capital buffer defined by EBA for sovereign debt exposures

Banco BPI was one of the 71 European banks submitted to the recapitalization exercise proposed by EBA. For purposes of determining the temporary capital buffer, EBA established that the relevant market prices to value sovereign debt exposure were the prices at September 30, 2011. It was further indicated by EBA that the value of the temporary capital buffer would be fixed and would not be changed by market price fluctuation or by the subsequent sale or repayment of the corresponding sovereign debt securities.

Based on the amounts observed on September 30, 2011 it was identified the need for a temporary capital buffer of 1 389 million euro for the BPI Group, resulting mostly from sovereign debt exposure (1 359 million euro), namely Portuguese sovereign debt (989 million euro).

In the period from September 30, 2011 - the reference date of the temporary capital buffer of EBA - to June 30, 2013, Banco BPI's exposure to sovereign risk and the value of those assets, based on market prices changed significantly.

	Sep. 30, 11				**Jun. 30, 13**			
	Nominal value	**EBA temporary buffer[1]**			**Nominal value**	**Recalculation of the buffer[1]**		
(million euro)		**Securities**	**Derivatives**	**Total**		**Securities**	**Derivatives**	**Total**
Sovereign bonds (after tax)								
Portugal	2 766	(582)	(125)	(708)	5 306	(116)	(159)	(276)
Of which:								
Treasury bonds acquired until Dec. 31, 11	2 732	(582)	(125)	(708)	1 702	(121)	(159)	(280)
Treasury bills	34				3 604	4		4
Italy	975	(66)	(73)	(139)	975	8	(99)	(92)
Ireland	355	(37)	(19)	(56)	335	16	(28)	(12)
Greece	480	(136)	(39)	(175)				
	4 576	**(822)**	**(256)**	**(1 078)**	**6 616**	**(93)**	**(286)**	**(379)**
Loans to Local Public Administration	1 058			(281)	841 [2]			(125)
Capital buffer for sovereign risk exposure				**(1 359)**				**(504)**
Amount recognised in results (Greece)				175				
Temporary capital needs				**(1 184)**				**(504)**

[1] Includes hedging of interest rate risk

[2] Exposure as of June 30, 2013 applying average haircuts by maturity estimated by BPI based on June 30, 2013 market prices

In this context, considering the temporary nature of the capital buffer to cover sovereign risks, in June 2012 Banco BPI approved a “Recapitalization Plan” to strengthen the Core Tier 1 capital ratio, in order to comply with the minimum ratios established by EBA and the Bank of Portugal, as explained in Note 4.27. The “Recapitalization Plan”, in the amount of 1 500 000 t. euro, includes:

a) a capital increase of 200 000 t. euro with pre-emptive rights of the shareholders;

b) the issuance of financial instruments eligible as Core Tier 1 own funds (contingent convertible subordinated debt), subscribed for by the Portuguese State, in the amount of 1 300 000 t. euro.

On June 29, 2012 subscription by the Portuguese State of the instruments referred in b) above was carried out, in the amount of 1 500 000 t.euro, which was reduced to 1 300 000 t.euro after the capital increase mentioned above in a). The features of these instruments are defined in Law 63-A/2008 of November 24, as republished by Law 4/2012 of January 11 (Bank Recapitalization Law), in Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of Finance and State of June 28, 2012. The investment period of the instrument is five years from the date of issue, and the Bank's Recapitalization Plan considers partial repayments over the period of the instrument. On August 10, 2012 the Bank's capital increase, in the amount of 200 000 t.euros, with preemptive rights of the shareholders, was concluded and on August 13, 2012 this amount was used by the Bank to repay part of the contingent convertible subordinated bonds, which were reduced to 1 300 000 t.euro.

In December 2012 contingent convertible subordinated bonds of 100 000 t. euro were repaid, the amount of which was thus reduced to 1 200 000 t. euro. On March 13, 2013 the Bank repaid to the Portuguese State, contingent convertible subordinated bonds in the amount of 200 000 t. euro, the nominal amount of which was reduced to 1 000 000 t. euro.

The potential components of the Own Funds Tier I (including Core Tier I) and Tier II (including upper Tier II and lower Tier II), comply with what is established in Bank of Portugal Notice 6/2010. The BPI Group's Own Funds are made up as follows at June 30, 2013 and at December 31, 2012:

	Jun. 30, 13	Dec. 31, 12
Base own funds		
Subscribed share capital, share premium, reserves (excluding positive fair value reserves) and retained earnings	2 272 973	2 178 504
Contingent convertible subordinated bonds	1 000 000	1 200 000
Preference shares	51 326	51 326
Other minority interests	255 272	240 775
Intangible assets	(14 314)	(14 017)
Treasury shares	(15 347)	(10 864)
Deduction related to deposits with high interest rates	(1 686)	(4 782)
Actuarial deviations considered in the prudential corridor	36 782	69 491
Contributions to the pension fund not yet recognised as cost (corridor method)	(61)	(63)
Deferred transition adjustments to IAS / IFRS	18 551	24 734
Base own funds	**3 603 496**	**3 735 104**
Complementary own funds		
Revaluation reserves of fixed assets	8 548	8 548
Positive fair value reserve	9 939	10 610
Subordinated debt and participating securities	90 651	106 387
Complementary own funds	**109 138**	**125 545**
Deductions		
Deduction of participations in insurance companies and other financial institutions	(187 165)	(182 829)
Others deductions	(3 442)	(3 223)
Deductions	**(190 607)**	**(186 052)**
Total own funds	**3 522 027**	**3 674 597**
Total requirements	1 857 512	1 960 947
Assets weighted by risk[1]	**23 218 902**	**24 511 839**
Own Funds requirements ratio	15.2%	15.0%
Tier I[2]	15.1%	14.9%
Core Tier I (excluding preference shares)[2]	15.3%	15.0%
Percentage of preference shares to Tier I	1.4%	1.4%

[1] Total requirements x 12.5.

[2] Calculated in accordance with Bank of Portugal Instruction 16 / 2004.

At June 30, 2013 the Core Tier I capital ratio established in the Recommendation of the European Banking Authority (EBA) and Bank of Portugal Notice 5/2012, considering valuation of the sovereign debt at September 30, 2011 at the market prices was 9.8%, so complying with the requirement of 9%, set in this standards.

(million euro)	Jun. 30, 13
Core Tier I (Bank of Portugal)	**3 552**
Deduction of participations in financial institutions and insurance companies[1]	(94)
Temporary buffer EBA	(1 359)
Amount recognised in the statement of income (Greece)[2]	175
Temporary capital needs	(1 184)
Core Tier I (EBA)	**2 275**
Assets weighted by risk	23 219
Core Tier I ratio (EBA)	**9.8%**

[1] In accordance with EBA rules deduction of participations in financial institutions and insurance companies are reflected in Core Tier 1.

[2] The buffer relating to Greece was recognized in the statement of income through the recording of impairment and so is already reflected in Core Tier 1 of the Bank of Portugal.

On July 22, 2013, following the entry into force in the European Union of new minimum capital requirements imposed by Directive 2013 / 36 / UE, of the European Parliament and of the Council, of June 26 and by the Regulation (UE) No. 575 / 2013 of the European Parliament and of the Council, of June 26 (referred to as the Capital Requirements Directive IV / Capital Requirements Regulation (CRD IV / CRR)), the European Banking Authority (EBA) published a new Recommendation to ensure the preservation of the capital increase made by the Banks in 2012 following the Recommendation issued by the EBA in late 2011.

Given that, with the entry into force of CRD IV/CRR and during the transitory period, the capital requirements may be lower than those required by the 2011 Recommendation, the EBA decided to establish a minimum limit for Core Tier 1 in absolute terms (in euros), corresponding to the amount of capital necessary to comply with the EBA's capital requirements at June 30, 2012.

Central Banks may authorize exceptions to the minimum Core Tier 1, after consultation and discussion with EBA if:

- the Bank is developing a specific restructuring plan or a risk mitigation plan; or,
- the level of capital of the Bank is considered to be greater than minimum Core Tier 1 (4.5%) and the capital preservation buffer (2.5%) required by the CRD IV /CRR rules, considering full implementation of these rules.

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.

The Policy referred to in the last paragraph is temporarily limited by item 6.4. of the Recapitalization Plan approved in the General Meeting held on June 27, 2012, in which the Board of Directors indicated that there will be no dividends or reserve distributions until the hybrid instruments to be issued in the recapitalization operation have been entirely repaid, as well as, in the same way, item 11.1. A) of the Terms and Conditions of the Core Tier 1 Capital Instruments Subscribed for by the State approved by Order of the Portuguese Minister of State and Finance 8840-A/2012.

4.51. Related parties

The BPI Group's related parties at June 30, 2013 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%	29.7%
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%	
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, SA	Portugal	32.8%	32.8%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	20.7%
Pension funds of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	14.1%	
Fundo de Pensões Aberto BPI Valorização	Portugal	43.4%	
Fundo de Pensões Aberto BPI Segurança	Portugal	28.3%	
Fundo de Pensões Aberto BPI Garantia	Portugal	12.9%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	46.22%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
António Domingues			
António Farinha Morais			
António Lobo Xavier			
Armando Leite de Pinho			
Carlos Moreira da Silva			
Edgar Alves Ferreira			
Allianz Europe Ltd. - Representada por Herbert Walter			
Ignacio Alvarez-Rendueles			
Isidro Fainé Casas			
José Pena do Amaral			
Juan María Nin Génova			
Klaus Duhrkop			
Manuel Ferreira da Silva			
Marcelino Armenter Vidal			
Maria Celeste Hagatong			
Mário Leite da Silva			
Pedro Barreto			
Tomaz Jervell			

In accordance with IAS 24, related parties are those in which the Bank has significant influence (direct or indirect) in decisions relating to their financial and operating policies – associated and jointly controlled companies and pension funds – and entities which have significant influence on the management policy of the Bank – shareholders and members of Banco BPI's Board of Directors.

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, 2013 were as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	2 848		**2 848**
Financial assets held for trading and at fair value through profit or loss		151	**151**
Loans	26 021		**26 021**
Other assets	10 625		**10 625**
	39 494	**151**	**39 645**
Liabilities			
Financial liabilities held for trading and derivatives			
Deposits and technical provisions	38 425	250 102	**288 527**
Other financial resources		60 074	**60 074**
Other liabilities	922		**922**
	39 347	**310 176**	**349 523**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	10 666		**10 666**
Responsibilities for services rendered			
Deposit and safeguard of assets	1 001 760	675 047	**1 676 807**
	1 012 426	**675 047**	**1 687 473**

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, 2013 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	Total
Assets				
Financial applications	80 526			**80 526**
Financial assets held for trading and at fair value through profit or loss	476			**476**
Financial assets available for sale			8	**8**
Loans	16 446	10 896	195 117	**222 459**
Investments held to maturity	15 152			**15 152**
	112 600	**10 896**	**195 125**	**318 621**
Liabilities				
Deposits and technical provisions	10 110	9 138	13 555	**32 803**
Other liabilities	17	25	111	**153**
	10 127	**9 163**	**13 666**	**32 956**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	18 454	496	130 107	**149 057**
Commitments to third parties				
Revocable commitments	209		63 200	**63 409**
Responsabilities for services rendered				
Deposit and safeguard of assets	583 356	19 663	175 551	**778 570**
Others			72 886	**72 886**
Foreign exchange operations and derivatives instruments				
Purchases	689 615		57 836	**747 451**
Sales	(685 683)		(57 796)	**(743 479)**
	605 951	**20 159**	**441 784**	**1 067 894**

[1] With significant influence on the BPI Group's management policy. It is assumed that there is significant influence when the participation in capital exceeds 20%

[2] In individual name.

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, 2012 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	2 823		**2 823**
Financial assets held for trading and at fair value through profit or loss	7	152	**159**
Loans	34 929		**34 929**
Other assets	19 608		**19 608**
	57 367	**152**	**57 519**
Liabilities			
Financial liabilities held for trading and derivatives	5		**5**
Deposits and technical provisions	31 352	70 582	**101 934**
Other financial resources		60 077	**60 077**
Other liabilities	168		**168**
	31 525	**130 659**	**162 184**
Extrapatrimoniais			
Guarantees given and other contingent liabilities			
Guarantees and sureties	10 576		**10 576**
Responsibilities for services rendered			
Deposit and safeguard of assets	942 694	780 900	**1 723 594**
Foreign exchange operations and derivatives instruments			
Purchases	16 850		**16 850**
Sales	(16 532)		**(16 532)**
	953 588	**780 900**	**1 734 488**

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, 2012 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	Total
Assets				
Financial applications	17 295			**17 295**
Financial assets held for trading				
and at fair value through profit or loss	387			**387**
Financial assets available for sale			8	**8**
Loans	1 715	11 168	229 550	**242 433**
Other assets			32	**32**
	19 397	**11 168**	**229 590**	**260 155**
Liabilities				
Deposits and technical provisions	5 132	8 576	27 452	**41 160**
Other liabilities	490	25	111	**626**
	5 622	**8 601**	**27 563**	**41 786**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	18 414	496	78 987	**97 897**
Commitments to third parties				
Revocable commitments	207		2 000	**2 207**
Responsabilities for services rendered				
Deposit and safeguard of assets	605 842	21 270	166 577	**793 689**
Others			135 364	**135 364**
Foreign exchange operations and derivatives instruments				
Purchases	540 022		57 457	**597 479**
Sales	(549 300)		(57 495)	**(606 795)**
	615 185	**21 766**	**382 890**	**1 019 841**

[1] With significant influence on the BPI Group's management policy. It is assumed that there is significant influence when the participation in capital exceeds 20%

[2] In individual name.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees and directors of the BPI Group at June 30, 2013 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Net income			
Financial margin (narrow sense)	(216)	(1 019)	**(1 235)**
Net comission income	19 065	7	**19 072**
General and administrative costs	(420)	(8 385)	**(8 805)**
	18 429	**(9 397)**	**9 032**

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, 2013 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	Total
Net income				
Financial margin (narrow sense)	797	(129)	15	**683**
Net commission income		8	4	**12**
	797	**(121)**	**19**	**695**

[1] With significant influence on the BPI Group's management policy. It is assumed that there is significant influence when the participation in capital exceeds 20%

[2] In individual name.

The total amount of income relating to operations with associated and jointly controlled companies, and pension funds of employees of the BPI Group at June 30, 2012, is as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Net income			
Financial margin (narrow sense)	(13)	(1 318)	**(1 331)**
Net comission income	19 076	259	**19 335**
General and administrative costs	(466)	(8 356)	**(8 822)**
	18 597	**(9 415)**	**9 182**

The total amount of income 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, 2012, is 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	Total
Net income				
Financial margin (narrow sense)	808	(66)	1 647	**2 389**
Net commission income	20	5	4	**29**
	828	**(61)**	**1 651**	**2 418**

[1] With significant influence on the BPI Group's management policy. It is assumed that there is significant influence when the participation in capital exceeds 20%

[2] In individual name.

REMUNERATION AND OTHER BENEFITS AWARDED TO THE CORPORATE BOARDS

Following presentation of the request for access to public investment (in terms of Law 63-A/2008, of November 24) and approval by the Shareholders' General Meeting held on June 27, 2012 of adjustments to the Remuneration Policy, the Remuneration Committee decided to decrease the fixed remuneration of the members of the Board of Directors and of the Supervisory Board to the annual amount of 2 806 519 euro (hereinafter referred to as Limit), i.e., 50% of the average remuneration received in the years 2010 and 2011.

Remuneration of the Chairman of the Shareholders' General Meeting Committee

In the first half of 2013 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 gain from this fact any retirement entitlement.

Remuneration of the Supervisory Board

Considering the Limit, the Remunerations Committee decided to reduce the overall annual amount of the remuneration of the members of the Supervisory Board to 177 547 euro.

In the first half of 2013, the aggregate remuneration of the Supervisory Board members was 126 545.45 euro gross, paid in 7 installments, an amount that already reflects the reduction referred to above and includes the remuneration paid to the member of the Supervisory Board who, under the terms of the regime of the public investment operation mentioned above, was designated by the State (Dr. Miguel Artiaga Barbosa) in the amount of 37 771.94 euro.

The members of the Supervisory Board are not beneficiaries, due to this fact, of any retirement-related benefit.

Remuneration of the Board of Directors

Considering the Limit, the Remunerations Committee decided to reduce the overall annual remuneration of the members of the Board of Directors to 2 628 972 euro.

In the first half of 2013, the remuneration of all the members of the Board of Directors amounted to 1 315 t.euro relating to fixed remuneration, an amount that already reflects the decrease referred to above.

In addition, the payment of 20 312 euro relating to seniority payments and 5 731.9 euro relating to long service premiums (in terms of the Collective Vertical Labour Agreement for the Portuguese Banking Sector), and, in the case of non-executive members, 57 350 euro relating to attendance allowances (the unit value of which was, in terms of the decision of the Remunerations Committee referred to above, also decreased by 50% in the second half of 2012).

In the first half of 2013, the overall remuneration of the non-executive members amounted to 248 t. euro and remuneration of the executive members amounted to 1 150 t. euro.

There were no payments in the first half of 2013 resulting from early termination.

Remuneration of the Board of Directors' non-executive members

The remuneration of the non-executive members of the Board of Directors amounted to 248 t. euro in the first half of 2013 and includes regular fixed salaries, paid in 7 installments, in the amount of 191 t. euro, the payment of attendance allowances for meetings of the Consultative Committees of the Board of Directors in the amount of 57 t. euro.

Remuneration of the Executive Committee

Total remuneration (fixed) paid to Banco BPI's Executive Committee in the first half of 2013 for carrying out its duties was 1 124 t.euro. In the first half of 2013 no variable remuneration was paid to the Executive Committee members.

In addition, the payment of 20 312 euro relating to seniority payments and 5 731.9 euro relating to long service premiums (in terms of the Collective Vertical Labour Agreement for the Portuguese Banking Sector).

It should be noted that, as stated above, pursuant to Section 6.5 of the Recapitalization Plan, in the public investment period no variable remuneration will be paid to the Executive Committee members.

Pensions of the executive members of the Board of Directors

The Directors covered by the defined benefits pension plan referred to in point 6.1.2 of the Governance Report of the BPI Group and the plan's liabilities, were as follows at June 30, 2013:

	Current	Retired	Total
Number of persons	7	4	11
Liability (t.€)	15 546	10 511	26 057

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	13	9	22
Liability (t.€)	19 700	16 305	36 005

In December 2006 the liability for retirement and survivor pensions under a defined benefit pension regime of 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 2013 by the members of the Executive Committee relating to old age retirement pensions amounted to 55 977 euro.

Loans to members of the Board of Directors

Mortgage loans

At June 30, 2013 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 1 710 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 scheme. At June 30, 2013, the balance of credit given to the members of Banco BPI's Executive Committee was 5 459 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[1]. At June 30, 2013, the credit line balance relating to the members of Banco BPI's Executive Committee was 965 t. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the capital increase realised in 2008

Balance at June 30, 2013

	Credit line for the exercise of options [2]	Credit line for subscription for BPI shares
Banco BPI Executive Committe	5 459	965
Directors of Banco Português de Investimento [3]	100	38
Managers and other employees	2 331	272
Total	7 900	1 275

Insurance of the Chairman and Executive Directors of Banco BPI

The Chairman of the Board of Directors and Executive Directors of Banco BPI in current service benefit from a range of insurance policies which cover life, illness and accident risks.

Policy	Risk covered	Capital insured
Group life insurance	Illness	424
	Accident (involuntary cause)	848
	Traffic accident	1 272
Personal accident insurance	Accident	148
Work accident insurance	Death or professional disability	Under the terms of the law
Healt insurance[4]	Illness or accident	25 [5]

[1] This credit line was earmarked exclusively to fund the acquisition of Banco BPI shares resulting from the exercise of the subscription rights which every Employee or Director was entitled to on the date the subscription rights were detached from the shares (21 May 2008, last day on which the shares traded cum rights).

[2] Financing obtained for keeping in the portfolio of BPI shares resulting from the exercise of the RVA options.

[3] Directors who are not simultaneously members of the Executive Committee of the Board of Directors of Banco BPI.

[4] Covers the respective family.

[5] Annual cost of insurance.

The costs incurred by the BPI Group in connection with the above mentioned policies amounted to 22.8 t.euro in the first half of 2013.

In addition, the BPI Group incurs costs of 3.7 t.euro relating to SAMS contributions for the three members of Banco BPI's Executive Committee who benefit from protection of this scheme.

Early termination of contracts

No severance compensation was paid nor is any due in the first half of 2013 to any former Executive Director relating to cessation of their functions during the year.

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:

a) perform functions with responsibility for the assumption of risks on behalf of the institution or its customers, with a material impact on the institution's risk profile, which includes employees who have regular access to privileged information and participate in decisions on the institution's management and business strategy;

b) perform the control functions covered by Bank of Portugal Notice 5/2008 (compliance, audit and risk control).

In applying the above-mentioned criteria and solely to restrict the employees to which the information to be provided to pursuant to article 17 of Notice 10/201, it was considered that the relevant employees correspond to those of the Remuneration Policy of Managers mentioned in the section 6.1.6. of the Governance Report of the BPI Group, namely:

- employees considered as "managers" for purposes of the provisions of article 248º-B of the Portuguese Securities Code;
- employees that occupy first and second tier positions in departments which perform control functions.

In the first half of 2013, the universe defined above encompassed 24 employees.

In the first half of 2013, the remuneration paid to the above universe totaled 1.19 M.€.

In addition, the payment of 34 t. euro relating to seniority payments and 9 t. euro relating to long service premiums (in terms of the Collective Vertical Labour Agreement for the Portuguese Banking Sector).

At June 30, 2013 the aggregate amount of pension rights (annual) acquired by the universe of employees under review was 1 255.4 t.euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned two groups was the following:

Amounts in euro

	Control functions	Other functions
Employees	12	12
Fixed remuneration	423 177	799 598
Long service premium	3 473	5 579
Total remuneration	**426 650**	**805 177**
Pension rights acquired	516 620	738 780

There is no deferred remuneration (not paid) awarded to the above group of employees.

There is no deferred remuneration due, paid or subject to reduction as a result of the adjustment introduced based on individual performance.

No new employees were recruited in the first half of 2013 who fall within this universe.

No payments were made in the first half of 2013 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, 2013 were as follows:

	Shares[1]										
	Held at Dec. 31, 12	Purchases	Sales	Held at Jun. 30, 13	Value at Jun. 30, 13[2]	Unavailable shares A	Shares pledged in guarantee B	Shares pledged in guarantee C	Shares pledged in guarantee D	Loans E	Loans F
Artur Santos Silva	869 938			869 938	790						
Fernando Ulrich [3]	2 092 180			2 092 180	1 900		1 585 040	348 510		4 144	714
Alfredo Rezende de Almeida	2 300 000		50 000	2 250 000	2 043						
António Domingues [3]	306 042		250 000	56 042	51						
António Farinha Morais [3]	548 501			548 501	498		258 823			332	
António Lobo Xavier											
Armando Leite de Pinho											
Carlos Moreira da Silva	66 333			66 333	60						
Edgar Alves Ferreira	1 594 619		1 091 536	503 083	457						
Herbert Walter											
Ignacio Alvarez-Rendueles											
Isidro Fainé Casas											
José Pena do Amaral [3]	72 682			72 682	66						
Juan María Nin Génova											
Klaus Dührkop											
Manuel Ferreira da Silva [3]	850 000			850 000	772				300 000		
Marcelino Armenter Vidal											
Maria Celeste Hagatong [3]	885 151			885 151	804		171 110	48 815		373	98
Mário Leite da Silva											
Pedro Barreto [3]	473 999			473 999	430		378 399	94 600		610	153
Tomaz Jervell	15 680			15 680	14						

A - Shares attributed under the RVA program, the availability of which at June 30, 2013 is subject to a resolutive condition.

B - Shares which at June 30, 2013 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.

C - Shares which at June 30, 2013 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, 2013 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).

E - Amount owed at June 30, 2013 on the loan referred to in B.

F - Amount owed at June 30, 2013 on the loan referred to in C

[1] Includes securities held by their husbands/spouses.

[2] Fair value of the shares.

[3] Member of the Executive Committee.

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, 2013 was as follows:

	Options[1]			
	Held at Dec. 31, 12	Purchases	Exercised[2]	Held at Jun. 30, 13
Artur Santos Silva				
Fernando Ulrich [3]				
Alfredo Rezende de Almeida				
António Domingues [3]	1 069 674		1 069 674	
António Farinha Morais [3]	936 249		627 542	308 707
António Lobo Xavier				
Armando Leite de Pinho				
Carlos Moreira da Silva				
Edgar Alves Ferreira				
Herbert Walter				
Ignacio Alvarez-Rendueles				
Isidro Fainé Casas				
José Pena do Amaral [3]	759 773		627 542	132 231
Juan María Nin Génova				
Klaus Dührkop				
Manuel Ferreira da Silva [3]	1 157 482		870 896	286 586
Marcelino Armenter Vidal				
Maria Celeste Hagatong [3]				
Mário Leite da Silva				
Pedro Barreto [3]	1 116 083		627 542	488 541
Tomaz Jervell				

[1] Includes securities held by their spouses

[2] Includes extinction by lapsing

[3] Member of the Executive Committee

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 Investmento, in terms of the shares held at June 30, 2013 was as follows:

	Shares										
	Held at Dec. 31, 12	Purchases	Sales	Held at Jun. 30, 13	Value at Jun. 30, 13[1]	Unavailable shares A	Shares pledged in guarantee B	Shares pledged in guarantee C	Shares pledged in guarantee D	Loans E	Loans F
Alexandre Lucena e Vale	153 312			153 312	139		48 064	18 964		100	38
Fernando Costa Lima	81 124			81 124	74						
José Miguel Morais Alves	35 517			35 517	32	13 461					
João Pedro Oliveira e Costa	10 708			10 708	10	8 031					

A - Shares attributed under the RVA program, the availability of which at June 30, 2013 is subject to a resolutive condition.

B - Shares which at June 30, 2013 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.

C - Shares which at June 30, 2013 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, 2013 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).

E - Amount owed at June 30, 2013, on the loan referred to in B.

F - Amount owed at June 30, 2013, on the loan referred to in C

[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 Investmento, in terms of the options held at June 30, 2013 was as follows:

	Opções			
	Held at Dec. 31, 12	Purchases	Exercised[1]	Held at Jun. 30, 13
Alexandre Lucena e Vale	353 985		213 818	140 167
Fernando Costa Lima	315 143		128 362	186 781
José Miguel Morais Alves	416 848		239 608	177 240
João Pedro Oliveira e Costa	230 297		196 821	33 476

[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, 2013 was as follows:

	Shares[1]					Options[1]			
	Held at Dec. 31, 12	Purchases	Sales	Held at Jun. 30, 13	Value at Jun. 30, 13[2]	Held at Dec. 31, 12	Purchases	Exercised[3]	Held at Jun. 30, 13
Manuel Maria Meneses	103 704			103 704	94	263 323		142 268	121 055
Isabel Castelo Branco	27 433			27 433	25	75 093		75 093	
Susana Trigo Cabral	21 038			21 038	19	96 272		96 272	
Luis Ricardo Araújo	57 200			57 200	52	304 469		78 445	226 024
Graça Graça Moura	37 134			37 134	34	45 640		45 640	
Ana Rosas Oliveira	6 487			6 487	6	134 047		72 741	61 306
João Avides Moreira	20 892			20 892	19	110 413		9 457	100 956

[1] Includes securities held by their husbands/spouses

[2] Fair value of shares

[3] Includes extinction by lapsing

Artur Santos Silva
Has not traded any Banco BPI shares.

Fernando Ulrich
Has not traded any Banco BPI shares.

At December 31 his spouse held 58 724 Banco BPI shares

Alfredo Rezende de Almeida
On May 6 sold 50 000 shares in the stock exchange at 1.125 euro per share.

António Domingues
Has sold in the Stock Exchange:

- On May 6 sold 100 000 shares at 1.120 euro per share and 100 000 at 1.145 euro per share;
- On May 7 sold 50 000 shares at 1.150 euro per share.

On March 21, because of caducity, there were extinguished 1 069 674 Call options on Banco BPI shares, concerning the 2007 RVA program.

António Farinha Morais
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 627 542 Call options on Banco BPI shares, concerning the 2007 RVA program.

António Lobo Xavier
Does not hold and has not traded any Banco BPI shares.

Armando Leite de Pinho
Does not hold and has not traded any Banco BPI shares.

At June 30, Arsopi – Holding, SGPS, S.A., of which he is the President of the Board of Directors. owned 2 942 267 Banco BPI shares.

At June 30 ROE, SGPS, S.A., of which he is President of the Board of Directors, owned 4 442 291 Banco BPI shares.

At June 30 Security, SGPS, S.A., of which he is President of the Board of Directors, owned 3 414 404 Banco BPI shares.

Carlos Moreira da Silva
Has not traded any Banco BPI shares.

Edgar Alves Ferreira
Has sold in the Stock Exchange:
On March 18:

- 11 256 shares at 1.129 euro per share
- 9 912 shares at 1.126 euro per share
- 4 500 shares at 1.128 euro per share
- 16 595 shares at 1.125 euro per share
- 35 663 shares at 1.124 euro per share
- 8 074 shares at 1.122 euro per share

- 307 798 shares at 1.120 euro per share
- 4 484 shares at 1.116 euro per share
- 7 417 shares at 1.115 euro per share
- 366 shares at 1.114 euro per share
- 5 252 shares at 1.112 euro per share
- 14 791 shares at 1.111 euro per share
- 87 891 shares at 1.110 euro per share
- 117 986 shares at 1.108 euro per share
- 13 285 shares at 1.121 euro per share

On March 19:

- 52 000 shares at 1.110 euro per share
- 201 900 shares at 1.100 euro per share
- 53 997 shares at 1.101 euro per share
- 2 000 shares at 1.105 euro per share
- 3 100 shares at 1.112 euro per share

On March 20:

- 5 090 shares at 1.110 euro per share.

On March 25:

- 128 179 shares at 1.140 euro per share.

At June 30 his spouse held 242 000 shares.

At June 30 Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 2 851 791 Banco BPI shares.

Herbert Walter
Does not hold and has not traded any Banco BPI shares.

Is the person named by Allianz Europe, Ltd. to represent it as a member of the Board of Directors to which the company was elected.

At June 30, Allianz Europe, Ltd. owned 120 553 986 Banco BPI shares.

The entity to which the above qualified shares are allocated is the company Allianz SE, which owns the entire share capital of Allianz Europe B.V., which in turn is the sole shareholder of Allianz Europe Ltd.

Ignacio Alvarez Rendueles
Does not hold and has not traded any Banco BPI shares.

Is Deputy General Director at CaixaBank, S.A. and a Member of the Directors Committee of the CaixaBank, S.A.

Isidro Fainé Casas
Does not hold and has not traded any Banco BPI shares.

Is President of Caja de Ahorros y Pensiones de Barcelona “la Caixa”, which has full control over CaixaBank, S.A., being also President of CaixaBank, S.A. and Member of the Directors Committee of CaixaBank, S.A.

At June 30, Caixa Bank, S.A. owned a total of 642 462 536 Banco BPI shares.

José Pena do Amaral
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 627 542 Call options on Banco BPI shares, concerning the 2007 RVA program.

Juan María Nin Génova
Does not hold and has not traded any Banco BPI shares.

Is General Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has full control over CaixaBank, S.A., being also Vice-President and Delegate Adviser of CaixaBank, S.A. and Member of the Directors' Committee of the CaixaBank, S.A.

Klaus Dührkop
Does not hold and has not traded any Banco BPI shares.

Manuel Ferreira da Silva
Does not hold and has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 627 543 Call options on Banco BPI shares, concerning the 2007 RVA program.

On March 21, because of caducity, there were extinguished 243 353 Call options on Banco BPI shares held by his spouse, concerning the 2007 RVA program.

Marcelino Armenter Vidal
Does not hold and has not traded any Banco BPI shares.

Is Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has full control over Caixa Bank, S.A.

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 Banco BPI shares.

At June 30, 2013 her husband held 407 316 shares.

Mário Leite da Silva
Does not hold and has not traded any Banco BPI shares.

Is the President the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and the President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. (which holds the whole participation in previous).

At June 30, Santoro Finance – Prestação de Serviços, S.A. owned a total of 270 643 372 Banco BPI shares.

Pedro Barreto
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 627 542 Call options on Banco BPI shares, concerning the 2007 RVA program.

Tomaz Jervell
Has not traded any Banco BPI shares.

At June 30, Norsócia, SGPS, S.A. owned a total of 11 050 105 Banco BPI shares, of which Tomaz Jarvel is a member of the Board of Directors.

Alexandre Lucena e Vale
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 213 818 Call options on Banco BPI shares, concerning the 2007 RVA program.

Fernando Costa Lima
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 128 362 Call options on Banco BPI shares, concerning the 2007 RVA program.

José Miguel Morais Alves
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 239 608 Call options on Banco BPI shares, concerning the 2007 RVA program.

João Pedro Oliveira Costa
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 196 821 Call options on Banco BPI shares, concerning the 2007 RVA program.

Manuel Maria Meneses
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 142 268 Call options on Banco BPI shares, concerning the 2007 RVA program.

Isabel Castelo Branco
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 75 093 Call options on Banco BPI shares, concerning the 2007 RVA program.

Susana Trigo Cabral
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 96 272 Call options on Banco BPI shares, concerning the 2007 RVA program.

Luís Ricardo Araújo
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 78 445 Call options on Banco BPI shares, concerning the 2007 RVA program.

Graça Graça Moura
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 45 640 Call options on Banco BPI shares, concerning the 2007 RVA program.

At June 30, her husband owned 27 677 Banco BPI shares.

Ana Rosas Oliveira
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 53 485 Call options on Banco BPI shares, concerning the 2007 RVA program.

On March 21, because of caducity, there were extinguished 19 256 Call options on Banco BPI shares held by her husband, concerning the 2007 RVA program.

At June 30, her husband held 1 839 Banco BPI shares.

João Avides Moreira
Has not traded any Banco BPI shares.

On March 21, because of caducity, there were extinguished 9 457 Call options on Banco BPI shares, concerning the 2007 RVA program.

4.52. Subsequent events

At July 16, 2013 the Bank repaid to the Portuguese State 80 000 t. euro of contingent convertible subordinated bonds, whose nominal amount was reduced to 920 000 t.euro.

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.

AUDIT REPORT PREPARED BY AN AUDITOR REGISTERED AT THE PORTUGUESE SECURITIES MARKET COMMISSION (CMVM) ON THE HALF YEAR CONSOLIDATED INFORMATION

(Amounts expressed in thousands of Euros – t. euro)

(Translation of a report originally issued in Portuguese – Note 5)

Introduction

1. In compliance with the Portuguese Securities Market Code (Código dos Valores Mobiliários) we hereby present our Audit Report on the consolidated financial information contained in the Directors' Report and on the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the half year ended June 30, 2013, which comprise the Consolidated Balance Sheet as of June 30, 2013 (that reflects total assets of 43,167,399 t. euro and total shareholders' equity of 2,190,301 t. euro, including consolidated net income of 58,915 t. euro), the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the six-month period then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as endorsed by the European Union, that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position, their results or their comprehensive income.

3. Our responsibility is to examine the consolidated financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the auditing standards (“Normas Técnicas e Directrizes de Revisão/Auditoria”) issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. This examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors of the Bank, used in their preparation. This examination also included verifying the consolidation procedures used, the application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors’ Report is consistent with the other consolidated documents of account. We believe that the examination performed provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and subsidiaries as of June 30, 2013, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders’ equity and their consolidated cash flows for the six-month period then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the financial information included in the consolidated Directors’ Report is consistent with the consolidated financial statements for the six-month period ended June 30, 2013.

Lisbon, August 28, 2013

Deloitte & Associados, SROC S.A.
Represented by António Marques Dias