Annual Report

Banco BPI 2013

Report

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Index

Leading business indicators

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

	2009	2010	2011	2012	2013
Net total assets	47 449	45 660	42 956	44 565	42 700
Assets under management[1]	17 232	18 592	14 425[2]	13 478	13 120
Loans to Customers (gross) and guarantees	33 562	33 621	31 535	30 519	29 004
Customer deposits	21 432	22 209	23 778	23 800	24 551
Total Customer resources	31 622	32 993	32 688	30 916	31 568
Business turnover[3]	65 184	66 614	64 223	61 435	60 572
Business turnover[3] per Employee (thousands of euro)	7 035	7 136	7 272	7 078	6 946
Loans to deposits ratio[4,5]	132%	122%	109%	106%	96%
Net operating revenue	1 164.8	1 098.8	1 020.1	1 330.0	1 048.1
Net operating revenue per Employee (thousands of euro)	126	117	112	151	120
Operating costs / net operating revenue[6]	58.0%	64.5%	67.2%	48.1%	62.1%
Operating costs / net operating revenue, excluding non-recurring impacts[7]	57.9%	62.5%	64.4%	62.1%	69.4%
Net profit	175.0	184.8	(284.9)	249.1	66.8
Return on average total assets (ROA)	0.6%	0.6%	(0.4%)	0.8%	0.4%
Return on Shareholders' equity (ROE)[8]	8.9%	8.9%	(13.5%)	13.1%	2.9%
Adjusted data per share (euro)[9]					
Net profit per share	0.174	0.184	(0.284)	0.216	0.048
Dividend	0.069	-	-	-	-
Book value	1.841	1.441	0.467	1.235	1.389
Weighted average no. of shares (in millions)[9]	1 004.0	1 003.5	1 003.8	1 154.6	1 383.7
Loans in arrears for more than 90 days (balance sheet) / Loans to Customers	1.8%	1.9%	2.4%	3.2%	3.6%
Impairments cover of loans in arrears for more than 90 days[10]	99%	101%	94%	92%	100%
Credit at risk / Loans to Customers[5,11]	2.4%	2.7%	3.2%	4.2%	5.1%
Impairments cover of credit at risk[10]	75%	72%	70%	71%	77%
Net credit loss[12]	0.38%	0.46%	0.43%	0.92%	0.96%
Pension liabilities to Employees	2 275	2 306	836	937	1 082
Cover of pension obligations[13]	108%	105%	100%	105%	105%
Shareholders' equity and minority interests	2 303	1 964	822	2 061	2 306
Core tier I capital[5]	2 041	2 267	2 321	3 684	3 477
Core tier I capital ratio (Bank of Portugal)[5]	7.8%	8.7%	9.2%	15.0%	16.5%
Core tier I ratio (CRD IV / CRR rules for 2014)	-	-	-	-	15.6%
Core tier I ratio (CRD IV / CRR fully implemented)	-	-	-	-	11.2%
Closing price (euro)[9]	1.886	1.232	0.471	0.943	1.216
Stock market capitalisation at year end	1 908	1 247	476	1 311	1 690
Distribution network (no.)	946	959	917	914	871
BPI Group staff complement (no.)[14]	9 266	9 335	8 831	8 680	8 720

Table 1

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) At the end of 2011, following the partial transfer of pension liabilities with retirees and pensioners to the Social Security, 1.4 th.M.€ of the pension funds' assets were transferred to the Social Security.
3) Customer loans, guarantees and total Customer resources (balance sheet resources, unit trust funds, PPR's and PPA's).
4) Deposits as a percentage of net loans.
5) Calculated in accordance with Bank of Portugal Instruction 23 / 2011.
6) Operating costs (personnel costs, outside supplies and services and depreciation and amortisation) as a percentage of net operating revenue.
7) Excluding non-recurring impacts both in costs and revenues.
8) In calculating ROE, it was considered the Shareholders' equity prior to deduct the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets.
9) Figures adjusted for capital increases by way of the incorporation of reserves in May 2011 and through cash injection in August 2012.
10) Cover by accumulated impairment allowances in the balance sheet and without considering the effect of collaterals.
11) Credit at risk includes loans in arrears for more than 90 days, associated loans falling due, restructured loans and insolvent situations.
12) Loan impairment charges in the year, after deducting recoveries of loans written off (income statement) / Customer loans. In 2009, excludes an extraordinary charge of 33.2 M.€ and in 2010, that extraordinary charge was utilised and, therefore added to impairment charges for the year.
13) Includes contributions to the pension fund made at the beginning of the following year.
14) Excludes temporary workers.

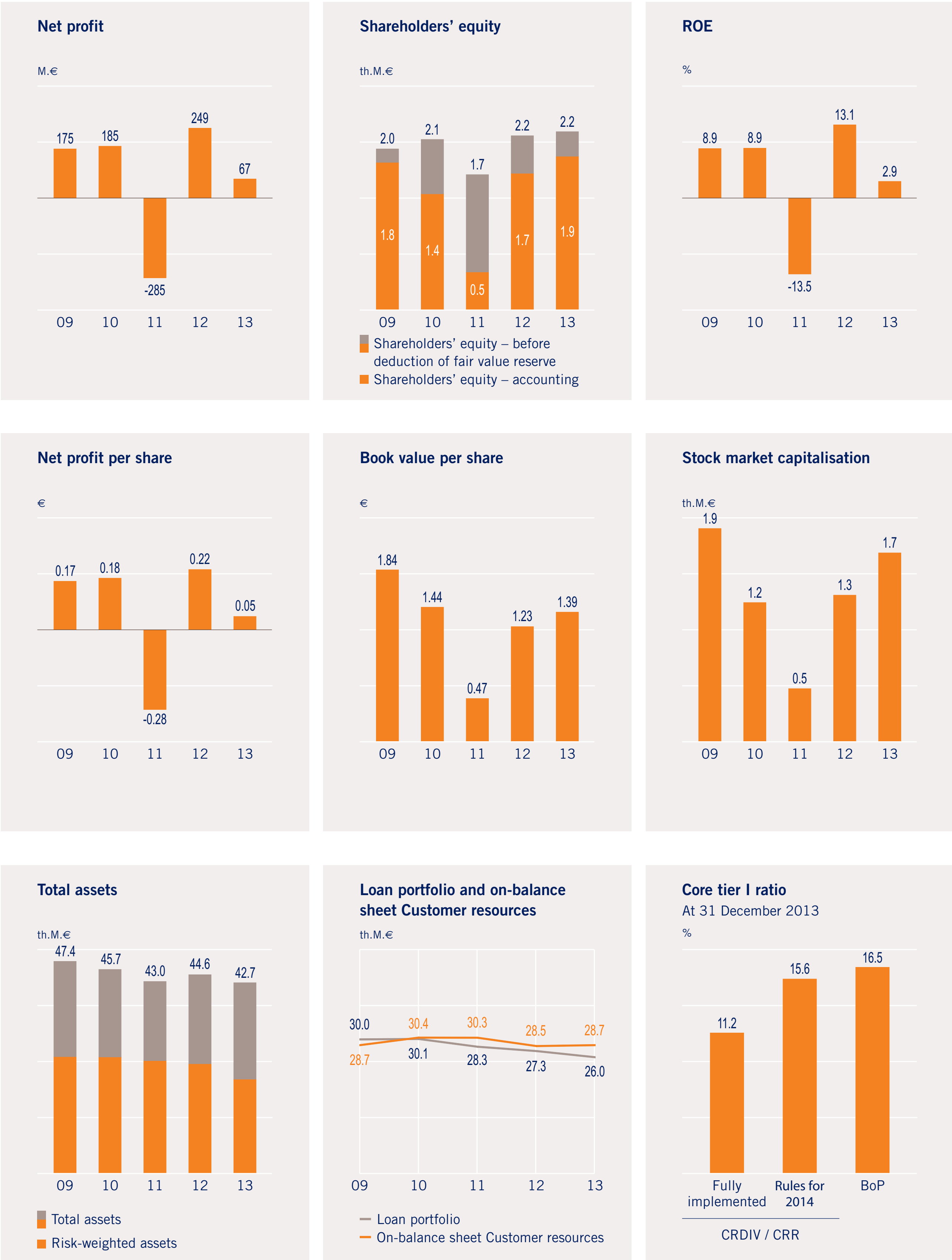

Net profit
M.€
175
185
-285
249
67
09 10 11 12 13
Shareholders' equity
th.M.€
2.0
2.1
1.7
2.2
2.2
1.8
1.4
0.5
1.7
1.9
09 10 11 12 13
Shareholders' equity – before deduction of fair value reserve
Shareholders' equity – accounting
ROE
%
8.9
8.9
-13.5
13.1
2.9
09 10 11 12 13
Net profit per share
€
0.17
0.18
-0.28
0.22
0.05
09 10 11 12 13
Book value per share
€
1.84
1.44
0.47
1.23
1.39
09 10 11 12 13
Stock market capitalisation
th.M.€
1.9
1.2
0.5
1.3
1.7
09 10 11 12 13
Total assets
th.M.€
47.4
45.7
43.0
44.6
42.7
09 10 11 12 13
Total assets
Risk-weighted assets
Loan portfolio and on-balance sheet Customer resources
th.M.€
30.0
30.4
30.3
28.5
28.7
28.7
30.1
28.3
27.3
26.0
09 10 11 12 13
Loan portfolio
On-balance sheet Customer resources
Core tier I ratio
At 31 December 2013
%
11.2
15.6
16.5
Fully implemented
Rules for 2014
BoP
CRDIV / CRR

Figure 1

ACRONYMS AND ABBREVIATIONS

BPI Group entities – some designations adopted

"BPI Group" / "BPI"*:
The financial group as defined in pages 14 and 15.

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

"Banco Português de Investimento" (S.A.), "Banco de Investimento"*:
The group's investment bank.

"Banco de Fomento Angola" (S.A.), "BFA":
Angolan law bank, develops BPI Group banking business in Angola.

"BCI" / "Banco Comercial e de Investimentos" (SARL):
Mozambican law bank, in which BPI has an equity interest of 30%.

Units

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

* if the context so permits.

Introduction

A FRESH START

Capital

During the course of 2013, BPI created the conditions for the redemption of a further 780 million euro of the contingent convertible subordinated bonds (CoCo) subscribed by the Portuguese State in June 2012, with a maturity of five years, within the framework of the Bank's capitalisation programme imposed by the European Banking Authority (EBA). A portion of the aforementioned amount – 280 million euro – was repaid in 2013; as for the remaining 500 million, the duly-substantiated authorisation for redemption requested in December 2013 was only granted in the first quarter of 2014, thereby reducing the outstanding debt to 420 million, that is, 28% of the initial amount. Having attained this level in less than one and a half years, the Bank has now elected as its prime goal to completely redeem the Coco by the end of 2014, bringing forward by 12 months the commitment assumed in 2013 with the European Commission and by three years the target agreed to in 2012 between the EBA and the Portuguese State.

Chairman of the Board of Directors

Artur Santos Silva

The priority given to this early redemption is warranted by the series of costs, actual or just perceived, associated with the contingent capital. Firstly, the financial costs: by external imposition, the State charges banks an effective annual interest rate of 8.5% in the first year, 8.75% in the second, 9% in the third and a further 0.5% in each one of the following two years. For BPI, this expense represented 56 million euro in 2012 and 85 million in the last financial year, amounts these which constitute public receipts – and therefore, at least in this case, contrary to what became *vox populi*, the public support for capitalisation does not constitute a burden but rather a benefit for taxpayers on the grounds that the interest received by the State is almost treble what it has to pay its creditors; the second type of cost refers to the limitations imposed on management, the most important of which entails the prohibition on distributing dividends; the third type is associated with the reputational implications stemming from the use of contingent capital which has an adverse effect on the Bank's image in society and in the markets.

A final reason, however, supplants the others in justifying this priority: it is that BPI can indeed dispense with the contingent capital without jeopardising its unequivocally solid financial base. In fact, after the additional redemption of 500 million euro, the Bank presents a core tier 1 capital ratio of 13.1% according to the Basel III rules, transposed for the European Union via the CRD IV Directive, which compares with a minimum of 8% required in the valuation of assets to be undertaken by the ECB, reflecting from this standpoint a surplus capital of 968 million euro. And if, despite not being obligatory, the full and immediate application of the aforesaid Directive is taken into account, BPI's ratio would be situated at 8.3% against a required minimum of 7% and a resulting surplus of 213 million euro, which clearly demonstrates the comfortable situation in which the Bank finds itself in this domain. Added to this are new opportunities for improving the core tier 1 capital which could total approximately 500 million euro, including the tender swap offer of the Bank's shares for subordinated bonds scheduled for May 2014, the sale of perpetual subordinated bonds of European insurers, the potential recoupment of deferred taxes and the appreciation of its own public-debt portfolio.

In order to gain access to the capitalisation subscribed by the Portuguese State with the support of the European authorities, BPI, as with all the banks in identical circumstances, had to negotiate with the European Commission's Directorate-General for Competition a Restructuring Plan, concluded in July 2013, under which four objectives were defined for domestic activity by the end of 2015: i) the reduction of core assets to 30 billion euro, a limit already verified in 2013; ii) the decrease to 684 in the number of commercial outlets in Portugal, a threshold already reached; iii) the reduction to 6 000 in the number of Employees in Portugal who totalled 6 274 at the end of 2013 and iv) the complete redemption of contingent capital. If the four objectives are fully realised by 31 December 2015, the Restructuring Plan will be deemed to be completed and the Bank is released from any exceptional conditionality over its assets under management. This fact constitutes a strong additional incentive for, already in 2014, complying fully with the set of commitments assumed with the authorities, a target which in the present circumstances can be considered to be entirely realistic.

Risk

BPI's comfortable position as regards capital is reinforced by a very secure and transparent performance as relates to risk control and management, in particular, credit risk, which will enable it to face the asset-quality review (ACR) and the stress tests to be conducted in 2014 by the ECB with tranquillity within the ambit of the transfer to that institution of responsibility for supervision of the major European banks. The volumes of impairment allowances and the main risk indicators recorded a slight deterioration in the past year, although at a much slower pace than that observed in 2012. The comparative results show once again that the Bank continues to evidence in this domain one of the best performances amongst the leading Iberian banks. By way of example, BPI's ratio of credit at risk (5.1%) corresponded in December 2013 to less than half the average for the Portuguese banking system. The exercises involving the valuation and control of the loan portfolio carried out by the Bank of Portugal in 2013 confirmed, on the one hand, the very high degree of the adequacy of risk coverage by impairment allowances, as had been the case noted in all the preceding tests. At the end of the year, impairment allowances fully covered loans in arrears for more than 90 days.

As has always been the case, even in the most difficult moments of the present financial crisis, BPI still continues to maintain a very balanced situation in the management of its liquidity: the growth in deposits (+3.2%) and the decline in the consolidated loan portfolio resulted in a further reduction in the commercial liquidity differential, with the transformation ratio being situated at 96%, the lowest figure for the major Portuguese banks. Resources raised from the ECB totalled 4 billion euro at the end of the year, while it still has 5.5 thousand million of eligible assets for new operations of the same nature, while net medium and long-term debt refinancing requirements (excluding CoCo) are a mere 1.1 thousand million euro up till 2018.

Angola

BPI's consolidated net profit in 2013 was situated at 66.8 million euro, down 73% on the previous year – a consequence of a loss of 28 million euro in domestic operations, insufficiently offset by the very positive performance from international activity, whose contribution grew by 10% to more than 95 million euro, generating a return on shareholders' equity of 28%.

The actual profit from international activity rose by 10%, propelled above all by the good performance from Banco de Fomento Angola which posted a net profit of 178 million euro, of which 88 million is attributable to BPI corresponding to its 50.1% equity interest. For its part, the 30% stake in BCI in Mozambique contributed with 10 million euro to consolidated earnings, 5% more than in the preceding year.

BFA's results reflect a return on shareholders' equity of 31.6% and are accompanied by consistent indicators relating to financial solidity and commercial capability. The Bank presents net total assets of 8.8 thousand million dollars, a solvency ratio of 25.8%, loans in arrears for more than 90 days present a 148% cover index, a 19% transformation ratio and an efficiency ratio of 39.7%, backed by a network comprising 175 commercial outlets (+5%), 1.2 million Customers (+11%) and 2 428 Employees (+7%). BFA has been consolidating a very strong position in the spheres of payments means and remote channels with more than 400 thousand subscribers to BFA Net, occupying first or second place in the debit and credit cards, ATM's and point-of-sale payment terminals businesses, and which have contributed to sustaining on extremely well structured basis its growth and expansion prospects.

Portugal

The negative behaviour from domestic operations – which had posted a profit of 163 million euro in 2012 – is explained in comparative terms by the 30% drop in net operating revenue from banking. This can be ascribed to three factors: the decrease in net gains from financial operations from 326 to 172 million euro, the 29% retreat in net interest income corresponding to 117 million euro and the 9% decline in commissions by around 25 million euro, primarily fruit of the comparison with an exceptional non-recurring gain under this caption in 2012 generated from the placing of corporate bonds. These negative factors were further compounded by the 4% increase in loan impairments and provisions, which rose to a historical high of 264 million euro.

Three principal reasons explain for their part the negative trend in net interest income: the sale up till the end of January 2013 of a public-debt portfolio that had generated high income in the preceding financial year, the higher cost incurred with contingent capital, which climbed from 56 to 85 million euro, and the contraction in the sight deposits margin – affected by the significant decline in market interest rates, as well illustrated by the trend in the average 3-month Euribor rate which fell from 0.57% in 2012 to 0.22% in 2013. In the opposite direction, there was a gradual adjustment to the spreads on new loans, above all in the corporate segment, and a slow reduction in the negative margin on term deposits, one of the factors that most contributed to the low returns from retail banking in the past five years.

This set of results eloquently portrays the pressure to which banking activity has been subjected since 2008: added to the natural volatility of certain revenue sources, such as trading results, are the persistent structural effects of the economic crisis, as borne out by the unparalleled volume of impairment charges and by the abnormally low interest rates, not to mention new extraordinary costs stemming the authorities' intervention.
In 2013, these costs related to the interest on the contingent capital, State consultants' fees and the exceptional contributions imposed on the banking sector, totalled more than 100 million euro before tax, 43% higher than in the preceding year. BPI has responded to this situation with systematic policies directed at reducing its operating costs, which once again fell by 4% in 2013. If we consider the period 2007-13, operating costs have declined by 16% (94 million euro) despite the fact that accumulated inflation over the period rose by 9.3%. The most important contribution in absolute amounts is inevitably from personnel costs which account for more than 50% of the decrease noted. Between 2008 and 2013, the staff headcount dropped from 7 767 to 6 274, or roughly 19%, in large measure as a consequence of the downsizing of the commercial network which shed a total of 124 units, that is, approximately 15%.

Reputation

In the next few years, BPI will pursue this process of adjusting to the new market which is emerging from the protracted crisis that started to manifest itself in the summer of 2007. The progressive financial stabilisation and the foreseeable economic recovery represent a welcome reversal in expectations, with unequivocal positive repercussions for companies and individuals and, therefore, also for financial institutions. The new equilibrium point still being sought will however be founded on quite different assumptions from those in the past and its sustainability will not dispense with financial rigour for many years to come, within the framework of a climate of permanent political and institutional uncertainty, namely but not only within the context of the European Union, which for us is crucial.

BPI's overriding management objective is now to maximise the Bank's immunity to the contingencies and uncertainties from this predictably insecure and demanding scenario in order to restart a sustained programme, adapted to the new normality, of growth and profitability. And this entails, amongst other aspects, exiting as soon as possible from this exceptional context of conditionality resulting from the administrative capitalisation, to make the appropriate adjustments to the balance sheet, to pursue with the cutting of operating costs and improving operational efficiency; in summary, to prepare the organisation for a leap in its commercial capability founded on solid foundations.

It is undisputed today that amongst its peers BPI has resisted the crisis better and will emerge from it much stronger in relative terms. In the last three years as a whole, it was the only large Portuguese bank to report positive results, it has the system's best capital ratios, the Iberian Peninsula's best credit-risk indicators and adequate cover for pension obligations, at the same time as being the only quoted bank not to have issued debt guaranteed by the State in order to manage liquidity.

These facts have been increasingly translating themselves into important reputational and public-recognition indicators. BPI was the first bank in Portugal to see its prospective rating upgraded from negative to stable by one of the major rating agencies; it was rated by the financial magazine Exame as the best, most solid and most profitable of the major banks operating in the Portuguese market, based on an audited review of eleven management indicators; in a survey organised by the Reader's Digest Selections, it was voted Trusted Brand in Banking in 2013 after thirteen years in which the honour has always gone to another institution; it was rated as offering the best private banking in Portugal by its own rivals in a poll conducted by Euromoney; and repeated a number of first places in national and international awards in the investment banking and capital markets arena.

During this period, BPI did not forget its links with society, its problems and ambitions. Notwithstanding the steep drop in earnings, the Bank did not curtail its financial support for its initiatives in the corporate social responsibility sphere in Portugal. This activity absorbed a total of 4.8 million euro in 2013, a figure which exceeds the average for the past five years, distributed amongst the fields of Culture, Solidarity, Education and Innovation. Added to this figure is a further 1.5 million euro corresponding to the contribution to the Movement for Employment, to which the Bank contributed by offering 250 paid professional internships to be realised over the period 2014-2015.

Board of Directors' Executive Committee

Manuel Ferreira da Silva, António Farinha Morais, Pedro Barreto, José Pena do Amaral (standing)
António Domingues (Deputy-Chairman), Maria Celeste Hagatong, Fernando Ulrich (Chairman) (seated)

Highlights

2013

January

30 Release of the 2012 consolidated results: net profit was 249.1 M.€ and the ROE was 13.1%.

30 BPI announces that the Board of Directors decided to apply to the Portuguese State for the early redemption of 200 M.€ of contingent convertible subordinated bonds (CoCo).

March

13 Banco BPI repurchases 200 M.€ of contingent convertible subordinated bonds, reducing the amount of CoCo held by the Portuguese State from 1 200 M.€ to 1 000 M.€.

April

24 Release of the consolidated results relating to the first quarter of 2013: net profit was 40.5 M.€, and ROE was 7.1%.

24 The Board of Directors decides to apply to the Portuguese State for the early redemption of 100 M.€ of contingent convertible subordinated bonds.

24 Shareholders unanimously approve at the Annual General Meeting the annual report and accounts, the proposed appropriation of net profit and the other proposals submitted by the governing bodies.

July

4 In the *Investor Relations & Governance Awards*, the event sponsored by Deloitte and *Diário Económico*, with the object of rewarding excellence in financial communication by companies quoted on the Euronext Lisbon market, BPI was distinguished with the prize for the Financial System's best Report and Accounts for the fifteenth time in the last 26 years. BPI is also honoured as the Best Research House in Portugal for the eighth time in ten editions and wins the prize for the best stock market performance and the best market analyst.

16 BPI carries out the repurchase of 80 M.€ of contingent convertible subordinated bonds, reducing the amount of CoCo belonging to the Portuguese State from 1 000 M.€ to 920 M.€.

22 Following the entry into force of the new capital rules laid down in the CRD IV / CRR, the EBA makes public the decision to replace its 2011 recommendation with new capital-preservation measures. The new rules provide, amongst other aspects, that Banks maintain the value in euro needed for compliance with the capital requirements prescribed by the previous EBA Recommendation with reference to 30 June 2012, or a lesser amount, provided that they meet the core tier I capital ratio of 7.0% according to the CRD IV "fully implemented" rules (that is, without benefiting from the phasing-in period envisaged in those rules).

24 Release of the consolidated results for the first half of 2013: consolidated net profit was 58.9 M.€ while the capital core tier I ratio calculated according to the CRD IV / CRR "fully implemented" rules is situated at 8.8%, representing a surplus capital of 345 M.€ relative to the minimum 7.0% ratio.

September

12/13 Banco Português de Investimento holds in Cascais the tenth Iberian small and mid caps conference, which was attended by more than 70 international investors and 35 Iberian companies.

Results | Capital | Awards I Recognition | BPI Initiatives I Social Responsibility | Other relevant events

October

30 Release of the consolidated results relating to the first nine months of 2013: consolidated net profit was 72.7 M.€.

30 The Bank announces that the Board of Directors decided to apply to the Bank of Portugal and to the EBA for approval for the early redemption of 588 M.€ of CoCo to be presented to the Ministry of Finance.

November

18 Banco BPI is rated "The Most Solid Bank, the Most Profitable Bank and the Best Large Bank" in the category Large Banks according to the Banking & Insurance classification organised by the Exame magazine.

December

13/14 BPI stages the APPY DAY BPI, a competition in the form of a 24-hour marathon for the development of mobile applications. Besides promoting the creation of innovative Apps, the initiative strives to stimulate entrepreneurship, to reward and to disseminate the best ideas and their authors and to contribute to Portugal's affirmation in the technological area.

16 As part of the EBA's 2013 Pan-European Transparency Exercise, the EU banking system's exposures are disclosed.

23 Banco BPI concludes the sale of the entire position held in public-debt bonds issued by the Republic of Ireland.

2014[1]

January

8 As part of the 4th edition of the BPI Capacitar Prize, BPI distributed 500 thousand euro to 19 institutions which submitted projects with the object of integrating the difference and to contribute to improving the quality of life of handicapped persons or with permanent disability.

17 Moody's improves the outlook of Banco BPI's ratings from "negative" to "stable", reiterating the long-term "Ba3" classification and that of the short-term at "Not-prime".

22 S&P withdraws from CreditWatch with negative repercussions for the ratings given to Banco BPI and to other Portuguese banks.

30 BPI's net profit was 66.8 M.€ in 2013.

30 The Bank announced a Tender Swap Offer of subordinated debt and preference shares for Banco BPI shares, which will have a positive impact on the surplus core tier I capital, conferring upon the Bank additional capacity to redeem the CoCo. The Board of Directors deliberates to submit to the AGM a proposed capital increase in kind in order to make the said Offer possible.

February

28 BPI is voted for the first time in 14 years, the Portuguese public's Trusted Brand in the banking sector.

March

19 Following the approval by the Bank of Portugal and by the European Banking Authority (EBA) of the request to redeem the CoCo, which request has in the meantime been submitted to the Ministry of Finance, BPI has made an additional redemption of 500 M.€. Since the issue of the contingent convertible subordinated bonds (CoCo) subscribed by the State in June, and up until the present date, BPI has already redeemed 1 080 M.€ reducing the amount held by the State from the initial 1 500 M.€ to 420 M.€.

1) Until the date of conclusion of this report.

Financial structure and business

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

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

At 31 December 2013, 84.3% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 15.7% to international activity.

Leading indicators by business segment
At 31 December 2013

Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets[2]	36 244	6 456	42 700
Loans to Customers[3] and guarantees	27 635	1 369	29 004
Total Customers resources	25 924	5 645	31 568
Business turnover[4]	53 559	7 013	60 572
No. of Customers (thousand)	1 708	1 193	2 901
No. of Employees	6 274	2 446	8 720
Distribution network (no.)	696	175	871

Table 2

Main units of the BPI Group

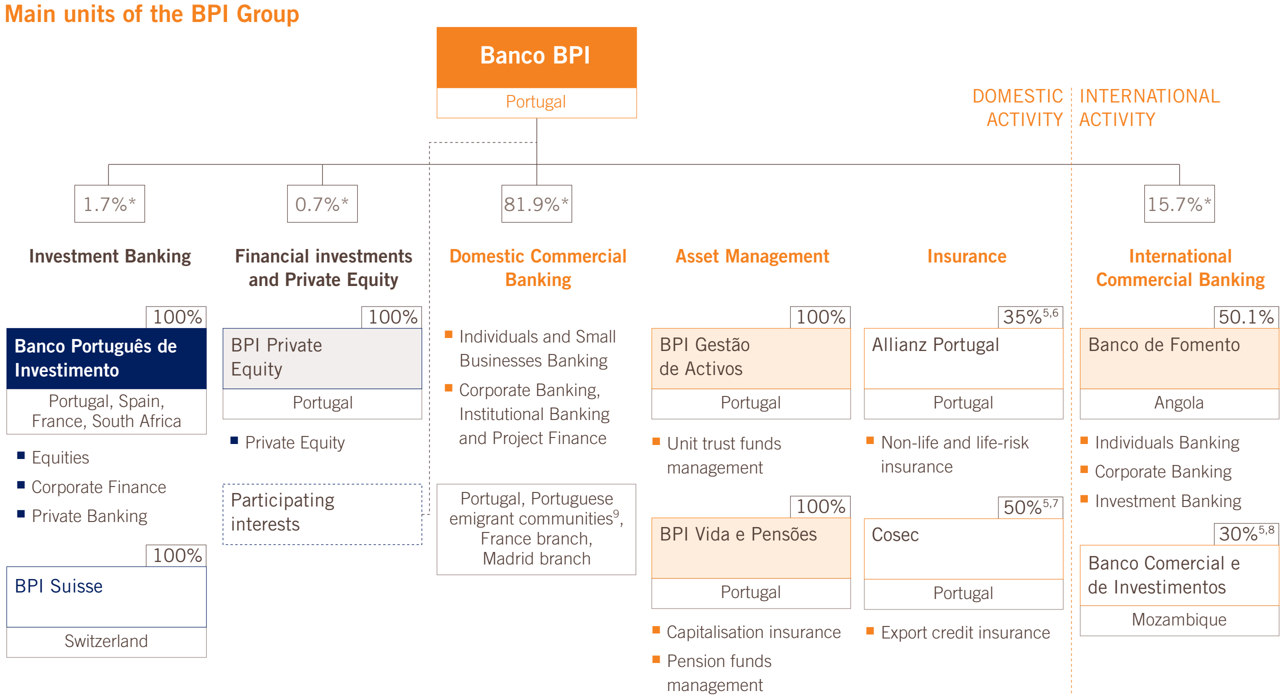


Figure 2

* 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, the accounting capital (shareholders' equity), excluding the fair value reserve (net of deferred taxes) related to the financial asset available for sale, was taken into consideration. As regard each business area integrating the domestic operations, it is assumed that the capital employed is identical to the average capital employed for this activity as a whole, except as regards the fair value reserve, which was excluded from the capital allocated.

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

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 parallel 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 Companies, Municipalities and the State Business Sector, Foundations and Associations.

BPI also makes available a broad range of life and non-life insurance 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 2013, BPI Gestão de Activos was the third biggest fund manager in Portugal, with a market share of 15.3%, BPI Vida e Pensões was the third largest pension fund manager with a market share of 15.7% and had a 9.5% 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 venture capital 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 12% in deposits and loans, respectively, 17% in the distribution network, 24% in cards and 25% in payment terminals.

BFA is a retail bank – BFA has 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 served 1.2 million Customers, through a distribution network with a strong presence in Luanda and wide coverage throughout of the whole territory, comprising 151 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 28% and 29%, respectively. BCI serves 777 thousand Clients via a branch network of 132 units, which represented 24% of the total branches in the Mozambican banking system.

Distribution channels

In Portugal and Europe

Banco BPI

592
TRADITIONAL BRANCHES

39
INVESTMENT CENTRES

53
CORPORATE CENTRES

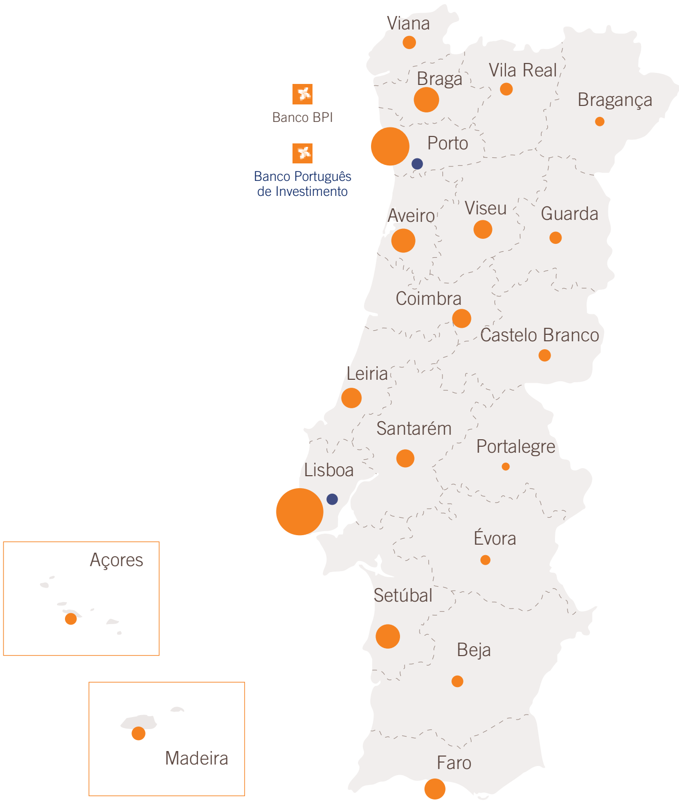
1 430
ATM (AUTOMATIC BANK)

31 882
POINTS OF SALE (ACTIVE)

28 726
COMMERCIAL PARTNERS

12
BRANCHES (PARIS BRANCH)

PORTUGAL



EUROPE

INTERNET BANKING
(active users)

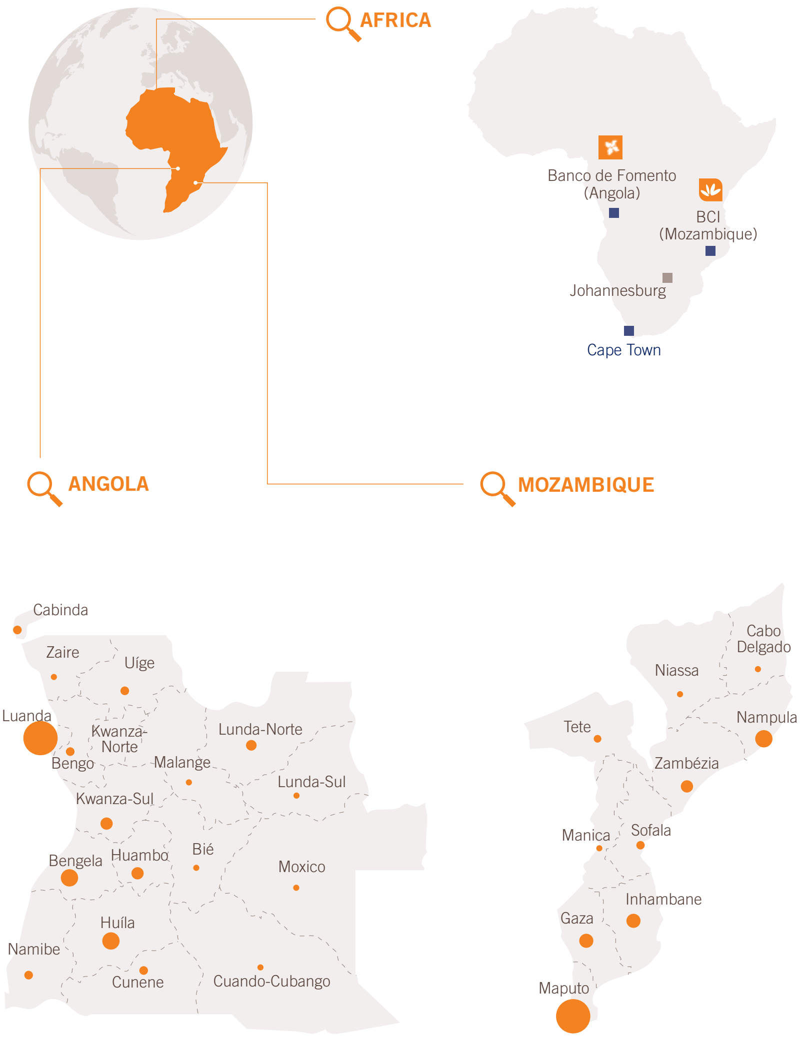
738 344
BPI NET

89 901
BPI NET EMPRESAS

TELEPHONE BANKING
(active users)

421 359
BPI DIRECTO

In Africa



	Banco de Fomento (Angola)	BCI (Mozambique)
TRADITIONAL BRANCHES	151	118
INVESTMENT CENTRES / EXCELLENCE CENTRES	8	7
CORPORATE CENTRES	16	7
ATM (AUTOMATIC BANK)	347	329
POINTS OF SALE (ACTIVE)	4 842	4 694

INTERNET BANKING
(active users)

393 502 BFA NET PARTICULARES	34 247 E-BANKING PARTICULARES
9 152 BFA NET EMPRESAS	6 795 E-BANKING EMPRESAS

Around the world

Commercial Banking
- Banks
- Branches
- Overseas branches
- Representative offices
- Information office
- Money remitter

Investment Banking
- Bank
- Offices
- Overseas units

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

Figure 3

The BPI Brand

BPI confirmed its position of the best Bank in Portugal in 2013, as measured by way of its highly diversified assembly of distinctions in the chief areas of financial activity. Additionally, it was elected for the first time in 14 years the Portuguese public's Trusted Brand in the banking sector.

BPI's communication policy was marked by the Bank's increasing commitment to Innovation and by lending its support to the Portuguese economy's growth, as well as by the maintenance of high standards of service quality.

The Bank also stepped up its activity in the Social Responsibility domain, a topic dealt with in a separate chapter of this report.

Reputation and recognition

BPI's performance was publicly recognised in a very varied array of distinctions in the most diverse areas of financial activity, bestowed by prestigious independent institutions, both national and international.

The following distinctions attributed to the Bank in 2013 merit special mention:

- **The Most Solid Bank, the Most Profitable Bank and the Best Large Bank**
  In the Large Banks category, according to the Banks and Insurance classification organised by the Exame magazine. BPI's classification is not the choice of a jury, but the result of an analysis of 12 economic and financial indicators, scrutinised by Deloitte with the collaboration of Informa D&B Portugal.

- **Best Portuguese Private Banking**
  BPI received the award *Best Local Private Bank* for the 5th time since 2008 in the *Euromoney Private Banking Survey 2014.* This classification is the result of a survey conducted by the magazine *Euromoney*, a renowned publication in the financial sector on the global stage. The winners are selected on the basis of an appraisal effected by their own peers.

- **Best National Equities Fund Manager**
  BPI Gestão de Activos was rated for the fifth consecutive year in the tenth edition of the Morningstar-Diário Económico awards as the best unit trust funds.

- **Best National Equities Fund Portugal**
  BPI Portugal was honoured in the Morningstar-Diário Económico awards for the second consecutive year.

- **Best Open-end Pension Fund**
  BPI Valorização and BPI Acções were distinguished *ex aequo*, with the *Country Award* by the magazine *IPE, Investment & Pensions Europe*. It is the 3rd year running and the sixth time that BPI Vida e Pensões pension funds are honoured.

- **Winner in the Capital Market**
  In the 3rd edition of the *NYSE Euronext Lisbon Awards*, an event that rewards the performance of those entities that most contributed actively to the development of the Portuguese capital market BPI collected 3 prizes in the categories *Most Active Research House; Most Active Trading House in Shares – Compartments B and C and Market Member – Most Active Trading House in Bonds.*

The Most Solid Bank, the Most Profitable Bank and the Best Large Bank.

Best Portuguese Private banking.

Best Equities Fund Manager.

Best Pension Fund in portugal.

- **Best Research House in Portugal**
  For the eighth time in ten editions and as concerns the *Investor Relations & Governance Awards 2013*, organised by Deloitte and Diário Económico to reward the best market practices. BPI also received the awards for best stock market performance and best market analyst. It was also the Research House with the biggest number of awards given to analysts by *Thomson Reuters Starmine / Expansion Iberia*.

- **Best Annual report and accounts in the financial system**
  For the fifteenth time in the past 26 years in the *Investor Relations & Governance Awards 2013*.

- **Best Corporate Access in the Iberian Peninsula**
  According to *Thomson Reuters*, in the *Extel Surveys* involving the principal international fund managers. BPI also managed second place in *Trading & Execution* and third position in *Equity Sales* and in *Country Research.*

- **Iberian Peninsula's 3rd Best Research Team**
  As part of the *2013 Institutional Investors All-Europe*, one of the sector's most prestigious awards.

Satisfaction and trust

BPI was voted the banking sector's Trusted Brand in the 2014 edition of the Trusted Brands poll published annually by the Reader's Digest Selections. BPI's trust rating climbed from 20% to 40%, registering the only rise throughout the Portuguese financial system.

Trusted Brand 2014

According to the ECSI Portugal – National Index of Customer Satisfaction, BPI maintains its relative position amongst the banks surveyed individually, occupying in 2013 third place in the satisfaction index. This index also reveals that 85% of BPI Customers declare their satisfaction with the service received.

BASEF – The Financial System's Base Survey published by Marktest, confirms once again BPI has the highest satisfaction level amongst the five largest banks in the Portuguese financial system in terms of the overall satisfaction indicators relating to attendance – a leading position it has always occupied – as well as satisfaction with the products. The same survey also places BPI in first position as the share of abandonment.

It should be recalled that the ECSI and BASEF surveys are compiled based on market perceptions, being influenced by the volume of advertising investment.

Investment and communication

In 2013, the financial sector once again recorded a decrease in advertising spending – this year of 3%, presenting itself as the eighth biggest investor in the universe of business sectors with a 4% market share.

In the financial sector's total investment ranking, BPI occupies 13th position with a 2% total market share and 4% amongst the five biggest Portuguese banks. In line with the past six years, BPI continued not to invest in the media means with the greatest visibility – television and outdoor – retaining the 2nd best efficiency ratio in the financial sector's investment, as measured by the relationship spontaneous recollection / investment volume.

The Bank stepped up its expenditure on communication in domains such as innovation and social responsibility, and reaffirmed its involvement in lending support for boosting the Portuguese economy, in encouraging savings and financial literacy, and in fostering greater Customer proximity.

Of the range of initiatives realised in 2013, the following merit highlighting:

- **Innovation and Customer Service**
  BPI launched the 1st edition of APPY DAY BPI, a 24-hour marathon for the development of mobile applications, realised in partnership with Google, GMS Store (Apple Premium Reseller), Microsoft, Zon Optimus, TVI 24 and with the backing of 16 Portuguese Universities. This initiative recorded more than 1 100 enrolments and some 400 participants. Its principal objectives were: to promote the creation of innovative mobile applications (Apps), stimulating entrepreneurship, rewarding and disseminating the best ideas and their authors and to contribute to Portugal's affirmation in the technology arena.

  In the sphere of remote-banking solutions, it is worth underlining the considerable adherence to the 5 BPI Apps launched in 2012 which have already registered more than 150 thousand downloads. Also noteworthy were the good results obtained by BPI Net, which reaffirmed for the 5th consecutive year its leadership in online brokerage, according to the report published by the CMVM, and by BPI Net Empresas which was elected by the companies as the no.1 in NetBanking Satisfaction according to the *Data E 2013 Survey*.

Another salient aspect was the modernisation and extension of the automated zones to more than 50% of the commercial network, with the reinforcement of self-service facilities, offering the Customer high-quality services available 24 hours / day.

- **Support for Portuguese companies**

BPI continued to occupy a prominent position in the State-sponsored programmes and statutes: for the 6th consecutive year, it was the leader in assisting 6 826 small and medium-sized companies to qualify for the PME Líder status and, for the 5th consecutive year, the no. 1 Bank in PME Excelência firms.

In 2013, and in collaboration with key public and private entities, the Bank promoted a total of 45 events which attracted some 5 thousand people. These were devoted to topics of great interest to Portuguese companies, highlighting amongst other issues the challenges posed by exports and internationalisation, the prospects for agriculture and the importance of innovation.

The Linha BPI FEI Inovação line was unveiled, a specific credit line for facilitating access to the financing of companies which are regarded as being innovative, and continued its backing for export companies. In this respect, it offers a comprehensive and competitive range of financial and risk-mitigation solutions, with specialist support adapted to the different profiles and markets.

The Bank consolidated its product and services range in the agricultural sector by associating itself with the Cofina Group in the promotion and organisation of the Agricultura 2013 Prize, an initiative aimed at incentivising and publicising successful agricultural ventures in Portugal. It continued to sponsor the main fairs and initiatives in this segment: Feira Nacional da Agricultura, SISAB, IX Congresso Nacional do Milho, Ovibeja and Essência do Vinho.

BPI lent its support to the “EXIT TALKS – conversas sobre exportação” (roundtable for debating exports), a two-day forum promoted by AIECP – Agência para o Investimento e Comércio Externo de Portugal and the Aveiro University.

- **Incentive for savings and financial literacy**

In 2013, BPI followed through with the initiatives linked to savings, which included the campaigns that encourage the younger generation to save for the future, and the itinerant savings weeks staged in various regions of the country with the object of fostering awareness amongst the local communities of the importance of saving.

For the third consecutive year, the Bank organised workshops at schools and companies addressing the theme “The Importance of Saving”. In 2013, it was present at 187 events which attracted more than 10 thousand participants. This initiative is a response to the challenge launched by the Plano Nacional de Formação Financeira (National Financial Training Plan) sponsored by the Bank of Portugal.

APPY DAY - Searching for the best mobile application (advertising campaign).

Youth savings solution – Learn to save and to surf (advertising campaign).

No.1 – The Bank of SME (advertising campaign).

The Bank for Agriculture (advertising campaign).

Social responsibility

BPI interprets its corporate responsibility as being the set of duties and obligations the Institution is bound by towards the community of which it forms a part and to the specific interest groups that depend on its activity: Customers, shareholders, Employees and investors, represented in the capital market where the shares are subjected to permanent scrutiny.

From this perspective, the exercise of corporate social responsibility assumes multiple dimensions of quite contrasting natures which from the outset entail compliance with the Law and applicable regulations, the observance of specific conduct rules, the corporate governance policy and its execution, the relationship with Investors, the promotion of quality service and the policy of human resources advancement, as well as the support for initiatives within society in fields such as solidarity, culture, education and research, innovation and entrepreneurship and the environment.

As has become customary, BPI's Annual Report deals with each one of these topics under specific chapters, duly highlighted in the text, while presenting in this chapter an overview of the Bank's involvement in each one of the major themes in which the exercise of BPI's social responsibility is referred to.

CORPORATE GOVERNANCE POLICY

Since its inception BPI has pursued a set of practices and guiding principles, the application of which ensures a diligent, effective and balanced management of the interests of all its Shareholders and other stakeholders.

Some of the structural pillars of BPI's governance policy are the creation of value as management's overriding objective, the adoption of best market practices in terms of communication and the dissemination of information, the independence of executive management *vis-à-vis* any Shareholder or specific interest groups, and the commitment to stringent standards of ethical and professional conduct. These aspects are described in greater detail in a specific annual report which BPI has published since 2000, when such practice was not yet mandatory for quoted companies in Portugal.

The bank has implemented – in the majority of cases ahead of time –, the corporate governance recommendations emanating from the CMVM (Portuguese securities market commission), while also keeping abreast of the pronouncements and publications on this matter of the European Commission, the OECD and other national and international bodies.

INVESTOR RELATIONS

BPI attributes great importance to keeping an open and transparent relationship with shareholders, investors, financial analysts, the authorities and other capital market players.

Consequently and long before it was already common practice amongst companies listed on the stock exchange, BPI created in 1993 a structure dedicated exclusively to this end – the Investor Relations Division which reports directly to the Executive Committee of the Board of Directors and to the Chairman of the Board of Directors.

The dissemination of accurate, timely, regular, clear and unbiased information that is relevant for assessing its shares listed on the stock market constitutes one of BPI's primary concerns.

In the BPI Group's Corporate Governance Report information is provided about the investor relations' activity undertaken in 2013.

QUALITY OF SERVICE

The maintenance of superior service-quality standards for its Customers has always been a BPI distinguishing hallmark.

The Bank's action in the realm of service quality is centred on 3 fundamental pillars:

- Market: monitoring of the quality perceived by the market through the analysis of the internal and external service-quality indices.
- Customers: adoption of methodologies for enhancing the quality of Customer attendance.
- Internal: monitoring of the in-house quality of service provided to the commercial network by the structures involved in the business processes.

During the course of 2013, BPI stepped up its work involving the internal methods for gauging Customer satisfaction, not only by way programmes for supporting and monitoring service quality within the commercial teams but also through the systematised dissemination of training-related and information content. This action permitted achieving very positive results in the primary indices and market surveys.

As concerns the market's evaluation:

- according to the ECSI Portugal – National Customer Satisfaction Index, BPI maintains its relative position amongst the banks surveyed, occupying in 2013 third position in the satisfaction index, and with 85% of BPI Customers declaring their satisfaction with the service received;

- the Financial System's Base Survey (BASEF), published by Marktest, confirms once again that BPI boasts the highest level of satisfaction amongst the Portuguese financial system's five largest banks as regards the overall and attendance satisfaction indicators, a leading position it has always held, as well as satisfaction with products. The same survey also places BPI in first place with respect of share of abandonment;

- mystery Customer – Branch Attendance – presented its historical peak in the first half of the year, repeating this feat again at the end of the year.

Turning to in-house instruments for monitoring Customer satisfaction:

- Service Quality Index (SQI-Bank), the annual satisfaction index which gathers Customers' opinions about the quality of the service provided by the Bank as an organisation, reaches its historical high in 2013;

- Service Quality Index (SQI-Branch), principal index monitoring Customer satisfaction with the service received by the Bank. Based on a quarterly survey, it presented its historical maximum point since it was first launched in 2004 at the end of the year.

ADVANCEMENT OF HUMAN RESOURCES

4 366 Employees received training in 2013, in a total of 67 thousand hours. The training provided with recourse to different methodologies (classroom, e-learning and on-the-job) had as its prime goal the development of technical and behavioural skills for backing up commercial activity, thereby preparing Employees for the new market challenges. The Bank maintains its support for academic training, with a view to encouraging the ongoing personal and professional advancement of its Employees.

Still in this respect, it is worth mentioning in 2013 the launching of a programme of 250 paid internships with a duration of 1 year, integrated as part of the Movement for Employment programme, a joint initiative of the Fundação Calouste Gulbenkian and COTEC Portugal in partnership with the Instituto do Emprego e Formação Profissional. This initiative which will materialise at the beginning of 2014, seeks to combat unemployment amongst young qualified people. It attracted more than 7 200 candidacies and will entail a cost of 1.5 million euro for BPI and of 1.95 million euro for the State.

PATRONAGE

In the exercise of the patronage aspect of its social responsibility, BPI is governed by the following principles of action: privileged relationship with first-class institutions in Portuguese society; the logic of continuity which permits entities, through a long-term bond, to effectively plan their activities; and preferential support for projects and teams which clearly demonstrate the ability to become sustainable over the short term.

In 2013, the Bank intensified yet again its backing for initiatives involving the society in which it expresses social responsibility, with a total contribution of 4.79 million euro, in response to the manifestations of the needs of institutions arising from the country's present macroeconomic situation. In the last 7 years, the Bank has contributed an average figure of around 4.35 million euro per annum.

BFA – Banco de Fomento Angola, in which BPI has a 50.1% shareholding, continued to support important activities through its social fund. At the end of 2013 the social fund's net assets totalled 18 million dollars.

In Mozambique, Banco Comercial e de Investimento, BCI, in which BPI has a 30% interest, confirmed the backing for a number of initiatives in the social solidarity, cultural, education and entrepreneurship fields.

Social solidarity

In the social solidarity area, of note was the launching of the Prémio BPI Seniores prize, earmarked for funding projects which promote the social integration and active participation of those persons aged more than 65.

In its 1st edition, the Prémio BPI Seniores project registered 389 candidacies and granted distinctions amounting to 500 thousand euro to 19 non-profit institutions embracing some 15 thousand direct beneficiaries.

Also worth referring to was the fourth edition of the Prémio BPI Capacitar prize, which recorded 237 candidacies and granted distinctions in the amount of 500 thousand to 19 non-profit institutions which have as their mission promoting the improvement in the quality of life and the social integration of the handicapped or the permanently disabled.

The two Prizes in 2013 gave away a total of 1 million euro, thereby constituting one of the most noteworthy Corporate Social responsibility initiatives in Portugal.

In total, in these past 4 years, the Prémios BPI Seniores and BPI Capacitar prizes handed over more than 2.5 million euro for the implementation of 75 social-inclusion projects which encompassed more than 30 000 direct beneficiaries.

500 th. euro to support the oldest.

500 th. euro to enable.

BPI Seniores (elder people) 2013 – winning projects.

BPI Capacitar (enable) 2013 – winning projects.

In the social solidarity arena, the following were the most salient initiatives:

- The Solidarity Campaign – Ajude uma Criança a Sorrir (Help a Child to Smile) – which enabled offering gifts to some 20 thousand children from 466 regional solidarity institutions. The 676 Christmas trees in BPI commercial outlets were decorated with a card which indicated the name and the present that each child wanted for Christmas. The presents were offered by the Bank's Customers and Employees. Besides the distribution of the presents, BPI also participated with a donation of 200 euro to each institution. Still as regards this initiative, BPI continued to make donations to institutions operating at national level. In total, a total of 160 000 euro was given in the Christmas period to solidarity institutions around the country.

BPI Solidarity. Thank you.

- Renewed support for Raríssimas – Associação Nacional de Deficiências Mentais e Raras (for the mentally handicapped), which contributed to making viable the inauguration of the Casa dos Marcos in November 2013. This is an innovative project on a transnational scale directed at those suffering from rare diseases, the respective families, carers and friends, through the availability of a series of specialist services, including a residential home and an occupational activities centre.

- Other noteworthy initiatives in this domain are the renewal of backing for EPIS – Empresários pela Inclusão Social, whose activity is centred on combating failure and school abandonment; to Fundação de Direitos Humanos Pró-Dignitate; to Novo Futuro – Associação de Lares para Crianças; to Cruz Vermelha Portuguesa; to BUS – Bens de Utilidade Social; to Igreja N.ª Senhora de Fátima; to Liga do Hospital D. Estefânia; to Associação Crescer Ser; to Oficinas de S. José; to Associação Crianças Desaparecidas, to Caritas de São Miguel and to REAPN – Rede Europeia Anti-Pobreza.

In Angola, BFA lent its support to the following initiative:

- Projecto Hospital Pediátrico (paediatric hospital project) – as part of the celebration of its 20th anniversary + 1 million Customers. BFA co-funded the acquisition of equipment for the Centro de Apoio ao Doente Anémico, of the Hospital Pediátrico David Bernardino, endowing it with the best attendance conditions under the out-patient regime.

- Projecto Palanca Parade – Social responsibility which involved artists, brands and companies in Angola, and whose mission is to canvass support for underprivileged children in need of minor surgery to correct physical deficiencies. BFA invited the artist Guilherme Manpuya to paint BFA's Palanca.

- Projecto Banco Alimentar Angola (food bank) – BFA associated itself with the Food Bank as Official Bank. The project which began to be structured in 2013 envisages a broad array of initiatives in 2014.

- Projecto Taça Palanquinhas Super Cuia – BFA sponsored the 2nd staging of the child-juvenile soccer tournament known as "Taça Palanquinhas Super Cuia". It is a social responsibility project which involved some 3 500 children aged between 8 and 12.

In Mozambique, BCI continued to support the Associação "Amigos sem Fronteiras" (friends without borders) promoting the availability of an amount earmarked for the payment of costs directly related to the higher education of underprivileged children who are residing at the University Training and Support Centre located in the city of Beira.

In the context of the public commitment assumed to apportion part of the revenue generated by the utilisation via POS of its "Daki" debit cards in transactions realised by its Customers, channelling this for supporting social solidarity causes and institutions without any additional charges for the card holders, BCI gave donations to the following institutions: Instituto Nacional de Gestão de Calamidades (INGC); PIRCOM; Hospital Rural de Morrumbala; Hospitais Gerais de Mavalane e da Machava; Centro de Saúde da Polana-Caniço; Organização Não-Governamental "Aldeia de Crianças SOS de Moçambique" and Casa do Gaiato.

In the Health field, BCI followed through its concerted blood-donor action at national level and the regular donation of quantities of child milk to the Paediatric Ward of the Hospital Geral da Machava.

Still in this domain, of note was the support provided for the staging in Maputo of the 7th Conference dealing with colon, uterus, breast and prostate cancer in Africa with the objective of raising awareness, testing and access to the prevention of those diseases on the African continent.

The long-term sponsorships were renewed for the Federação Moçambicana de Futebol (FMF) (national football federation), the Clube de Desportos da Costa do Sol, the Clube Ferroviário de Maputo, the Clube Desportivo da Universidade "A Politécnica", the Grupo Desportivo Têxtil do Púngué and the Liga Desportiva Muçulmana de Maputo.

Culture

BPI continued to sponsor in 2013 renowned national institutions dedicated to the arts, such as the Museu de Serralves (museum) and the Casa da Música (concert hall), of which the Bank was a founder, and to the Fundação Calouste Gulbenkian (foundation), with whom it associated for the 12th consecutive year in the cycle of Great World Orchestras.

- Sole Patron of the Museu de Serralves, which registered more than 423 thousand visits in 2013.
- Patron of the Great Annual Exhibition in 2013 entitled "Mel Bochner – Se a Cor Muda" which received more than 90 thousand visitors.
- Patron of "Serralves em Festa" – 40 hours of non-stop culture, with more than 100 activities, more than 256 cultural sessions and more than 90 thousand visitors in 2013.
- Chief patron of Casa da Música, with more than 500 thousand visitors in 2013, of whom 237 thousand were spectators.
- Patron of Sala Suggia, known as the heart of the Casa da Música, with more than 100 thousand spectators.
- Patron of the festival "À volta do Barroco", a festival where the performers were renowned artists and groups attached to the Casa da Música.
- Sponsor of "Verão na Casa" (summer at home), with a wide variety of shows on the Avenida dos Aliados, which terminated with two big concerts given by the Orquestra Jazz de Matosinhos and the Symphony Orchestra, which attracted 10 thousand spectators.
- Patron of the cycle of concerts of the Great World Orchestras 2013, with more than 8 thousand visitors.
- BPI sponsored a retrospective show of Filipe Oliveira Baptista, a Portuguese fashion designer with great international projection on the world fashion stage. "Felipe Oliveira Baptista" is the first exhibition at MUDE–Museu do Design e da Moda, dedicated to a creator of national fashion. Starting in October, the exhibition received some 60 thousand visitors by the end of the year.
- In 2013, BPI signed a protocol with the Museu Nacional de Arte Antiga with the aim of re-installing this museum's Collection of Portuguese Paintings and Sculpture.

Also meriting mention was the renewal of patron status of the Fundação Casa de Mateus, Museu de Arte Contemporânea de Elvas, Centro Nacional de Cultura, Museu do Caramulo, Teatro Viriato in Viseu and the support given to the Fundação Luís Miguel Nava and to Árvore – Cooperativa de Actividades Artísticas. Continuity was also given to its backing for the Vila do Conde International Short Film Festival and to the Jornal As Artes entre as Letras.

Serralves and BPI. Together for culture.

Porto in the right tone.

In Mozambique, BCI maintained the status of patron of the Espaços Museológicos (music venues) under the aegis of the Universidade Eduardo Mondlane. 2013 was also marked by the strengthening of the partnership with the Fundação Malangatana Valente Ngwenya (FMVN). One of the ways to afford greater visibility to the partnership and to attain its goals translated into the placing on BCI branches' walls of posters depicting details of the Bank's art collections, amongst which panels in iron which were exhibited at the Bank's head office branch – an original work by the master Malangatana, an exclusive piece forming part of BCI's collection.

Several exhibitions were staged, together with the launching of a number of literary works which took place at the Bank's Mediateca.

The Bank also renewed its patronage of the Companhia Nacional de Canto e Dança (CNCD) (song and dance company) and the Academia "Dança Para Ti" (dance academy).

It maintained the partnership for the 3rd consecutive year with the Associação dos Escritores Moçambicanos (AEMO) (national writers guild), promoting the awarding of the BCI Annual Literature Prize. It also gave its backing to the staging of cultural festivals and the VIth consecutive edition of the "Festival da Marrabenta".

Education and research

In the education and research field, BPI had protocols in place with a total of 32 tertiary education institutions at the end of 2013. The most noteworthy included the long-term protocols with the Instituto Superior Técnico, with special mention of the backing for the "IST Innovation Seminars" and the social support for students from the PALOP's (African Portuguese-speaking countries); with the Fundação para a Ciência e Tecnologia as a sponsor of the Lisbon MBA; with Universidade Nova de Lisboa – Economics Faculty; with Universidade Católica Portuguesa; with Fundação Escola Americana de Lisboa; with Escola de Tecnologias Navais da Armada, with Escola de Fuzileiros da Armada and with Universidade do Algarve in the granting of 5 Excellence Bursaries in the amount corresponding to a year's tuition fees.

With the object of actively contributing to increasing financial literacy, BPI undertook for the third consecutive year a series of initiatives at public and private schools devoted to "The importance of saving". In 2013, it was present at 187 sessions involving more than 10 thousand participants. This initiate is a response to the challenge launched by the National Financial Education Plan promoted by the Bank of Portugal.

In 2013, also worth noting was the protocol signed with the Ministry for Education and Science which permitted the creation of the Key for Schools PORTUGAL project, the main medium-term objective of which is to contribute to the population's widespread certification of English-language proficiency, conferred by one of the world's most celebrated learning institutions, namely Cambridge University, and one of the most reputable English-proficiency certification institutes, the Cambridge English Language Assessment. Mention is also made the ongoing support for the Jus Gentium Conimbrigae and for the Instituto de Direito Penal Económico e Europeu (European and economic penal law institute), both attached to Coimbra University's Law Faculty, as well as the cooperation with the Catholic University's Associação Escola Superior Biotecnologia.

In Angola, BFA established a close alliance with the Catholic University, which translated into the distribution of annual prizes to the best Economics and Management Faculty students and the sponsorship of the MBA Atlântico course.

In Mozambique, BCI renewed the partnership with the Universidade Eduardo Mondlane, through the granting of study bursaries to students with limited financial means; the Universidade Pedagógica – Delegação de Nampula received backing for the feasibility of an innovative concept for enhancing access to the new technologies in the Nampula Province. The predominant guideline in previous years, characterised by the incentive for and adoption of Excellence through the rewarding of merit and good academic performance, was followed through with the presentation of prizes to the best final-year students at the Graduation ceremonies held at more than 20 Medium and Higher Education institutions scattered around the entire country.

Innovation and entrepreneurship

In 2013, BPI sponsored and organised a number of initiatives advocating innovation and entrepreneurship, which are presented in the chapter of this report dedicated to the "BPI Brand", and which included: the 1st edition of APPY DAY BPI, the launch of the Agricultural Prize and the support for the EXIT TALKS initiative.

APPY DAY – 24 hours to create the best APP (advertising campaign).

For the 4th consecutive year, the Prémios BPI Inovação awards were presented, and which are designed to reward BPI Employees who propose ideas which promote innovation with respect to the bank's products, services or processes.

Special mention is made of the work done at iTGROW – Software e Sistemas, ACE, an innovative joint-venture project in Portugal backed by BPI and Critical Software which focuses on the IT qualification of recent graduates by means of a training and proficiency-honing programme conducted in a professional environment. In 2013 it is worth highlighting the partnership with Coimbra University in the launching of the "Acertar o Rumo" programme. This refers to a professional training programme directed at young university graduates – in domains with a strong base founded on logical and mathematical rationale – with talent, the will to learn and to commit to alternative areas with good career opportunities, namely in the Information Technologies arena.

BPI was a sponsor for the 5th consecutive year of the New Idea Competition, a Business Plan Competition for students of the Universidade Nova de Lisboa. The initiative is promoted by the UNL Dean's Entrepreneurship Office with the goal of affording students an integrated-learning experience in the entrepreneurial sphere. In the 2013, the 1st BPI Prize went to Suitappliances, a project aimed at renewing the appearance of old equipment at reduced prices. Conservart, a tool conceived to create and manage all the files and / or artistic works relating to conservation, received the 2nd BPI Prize. The 3rd BPI Prize was presented to Seabooking, a digital platform which aggregates the best maritime activities, offering tourists search and price-comparison features.

BPI supported for the 8th consecutive year and since its creation the PME Inovação COTEC BPI Prize, sponsored by COTEC with the aim of honouring small and medium-sized enterprises (SME) with innovative attitude and businesses, serving as examples of value creation for the country.

In 2013, the first prize went to Imperial – Produtos Alimentares, S.A. and WIT – Consultoria e Software para a Internet Móvel, S.A. The jury gave an honourable mention to SISCOG – Sistemas Cognitivos, S.A., for its innovative business.

6th edition of FAZ – Prémio Empreendedorismo Inovador na Diáspora Portuguesa, sponsored by COTEC, which annually honours those Portuguese who distinguish themselves abroad as entrepreneurs in their host countries. Mapril Baptista was the winner of the 2013 edition.

Environment

In the environmental responsibility field, BPI gave continuity to a number of internal initiatives which contributed to preserving the environment through the reduced consumption of energy and paper.

Welcome to the digital world (advertising campaign)

In 2013, the Bank reduced from 700 to 80 the number of servers required to support the Bank's applications used by Customers and Employees in a project which permitted, by means of the virtualisation of servers, curbing energy consumption. Throughout the year, the document-management process was extended to lending operations, resorting to the digitisation of documents which contributed to decreasing the flow of physical processes at the Bank.

Human resources

Staff headcount

At 31 December 2013, the BPI Group's workforce numbered 8 720.

In domestic operations, the staff headcount fell by 2% (-126), to 6 274 Employees.

In international operations, in Angola, the workforce grew by 161, which represents a 7.1% increase. At the end of 2013, Banco de Fomento Angola's headcount stood at 2 428 Employees, of which 27 is BPI staff seconded to Angola.

BPI Group Employees

		Year-end figures			Year-average figures		
		2012	2013	Δ%	2012	2013	Δ%
Domestic activity							
Activity in Portugal							
Banco BPI	1	5 997	5 858	(2.3%)	6 195	5 951	(3.9%)
Banco Português de Investimento	2	137	145	5.8%	140	136	(2.9%)
Other subsidiary companies	3	66	65	(1.5%)	68	65	(4.4%)
[= Σ 1 to 3]	4	**6 200**	**6 068**	**(2.1%)**	**6 403**	**6 152**	**(3.9%)**
Overseas branches and representative offices	5	200	206	3.0%	201	200	(0.5%)
Domestic activity *[= 4 + 5]*	6	**6 400**	**6 274**	**(2.0%)**	**6 604**	**6 352**	**(3.8%)**
International activity							
Banco de Fomento Angola	7	2 267	2 428	7.1%	2 220	2 362	6.4%
BPI Capital Africa	8	13	14	7.7%	4	11	175.0%
Financial services Moçambique	9		4			1	
International activity *[= 7 + 8 + 9]*	10	**2 280**	**2 446**	**7.3%**	**2 224**	**2 374**	**6.7%**
Total[1] *[= 6 + 10]*	11	**8 680**	**8 720**	**0.5%**	**8 828**	**8 726**	**(1.2%)**

Table 3

BPI Group staff complement

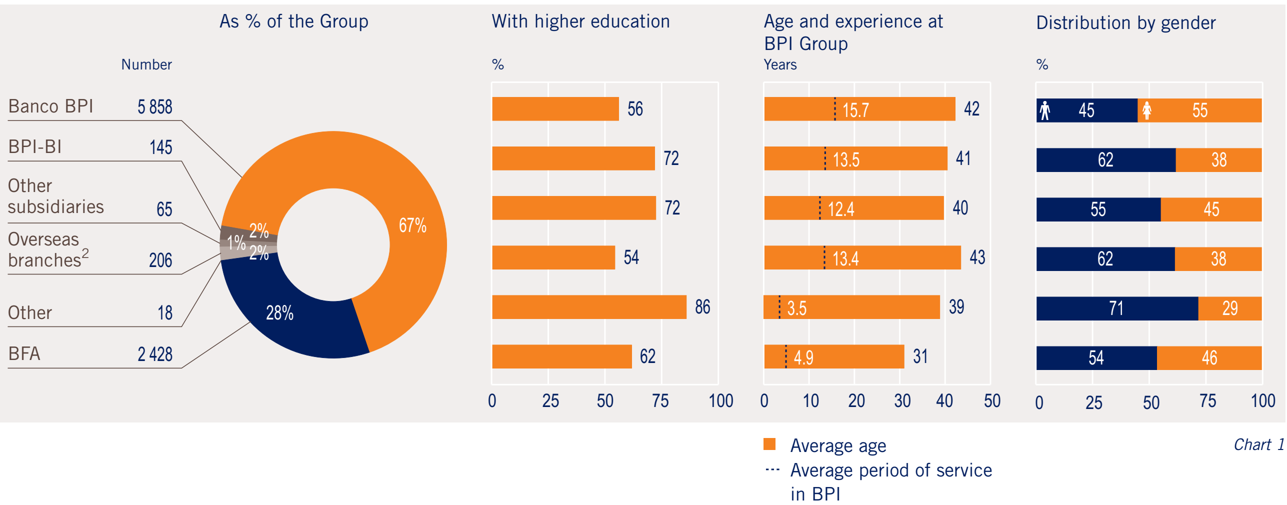


Chart 1

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI.
At 31 December 2012 and 2013, the number of Employees with fixed-term contracts in Portugal stood at 49 and 41, respectively, while for overseas operations, the number stood at 13, for the same dates.
In average terms, the number of Employees with fixed-term contracts in Portugal was situated at 53 and 49 in 2012 and 2013, respectively, while the corresponding figures for overseas operations were 11 and 13, respectively.

2) Overseas branches and representative offices.

Background to operations

PORTUGAL – ECONOMY AND MARKETS

GLOBAL AND EUROPEAN ECONOMY

In 2013, the pace of global economic expansion was slower than anticipated. The International Monetary Fund's[1] most recent estimate points to world GDP growth of 3%, marginally below that of the previous year (3.1%). Both the developed economies (recession in the EMU and indiscriminate cuts in public spending in the US) and the developing countries explain this still faltering performance. Meanwhile, it is worth noting that the trends observed in the closing months of the year were favourable, with growth expected to consolidate during the course of 2014.

Announcements of monetary policy originate volatility and corrections

Once again events in the monetary policy sphere significantly affected the behaviour of the financial markets throughout the year. In April, the Bank of Japan announced that it intended to attain a 2% inflation rate within a time horizon of two years, and to this end implemented a series of unconventional measures with the aim of boosting money supply. As a consequence, the reinforcement of liquidity in yen triggered a steep appreciation in certain asset markets, notably in Japan, but also with an impact overseas. In May, the North American monetary authority's announcement that it was preparing to embark on the progressive reduction in asset purchases which at the time were situated at 85 th.M.US$ per month (thousand million American dollars) resulted in a significant rise in long-term interest rates on the key markets – the yield on 10-year US Treasuries rose sharply from 1.72% to 3% in September – and also affected the emerging markets and the sovereign securities of the euro's peripheral economies (including Portugal). From September onwards, the movement abated and asset benchmark rates retreated once again, reflecting the moderation in expectations surrounding the change in the bias of monetary policy, which will remain accommodative notwithstanding the Federal Reserve having launched a programme of cutting back on asset purchases at its December meeting: since the beginning of February, these have been situated at a monthly level of 65 th.M.US$.

ECB cuts rates to historical low

Meanwhile in the Eurozone, the European Central Bank cut the principal refinancing rate to 0.25% at its November meeting, a new historical low. It is also worth mentioning that the EMU monetary authority is readily disposed to resort to other additional instruments to underpin economic activity and price stability. In reality, besides the signs of some weakness in the economic recovery process, the sustained drop in the region's inflation rate to levels below 2% was also a factor behind that decision.

Cyprus bailout

Midway through the year, the request for external help from the Republic of Cyprus and the format of the intervention in light of the imbalances that had formed, centralised in the banking sector, also constituted a disrupting factor, albeit of an ad hoc nature. At the origin of the request for assistance from the EU / IMF were the out-of-kilter growth model, concentrated on the services sector and greatly exposed to the Greek economy; the over-sized financial sector and the deficient risk assessment methods employed by the major Cypriot banks; allied to an expansionist budgetary policy (disproportionate) in response to the 2008 crisis. The large weight of deposits in the banks' balance sheets meant that in the context of the bailout there were not enough liability instruments for the "bail-in" while deposits in excess of 100 thousand euro were forced to contribute to the absorption of the banks' losses and recapitalisation.

Progress in the banking union

The December European summit saw additional steps taken in the construction of the banking union, namely as concerns two of its pillars: the Single Supervisory Mechanism and the Single Resolution Mechanism.
As regards the first pillar, it was agreed that the ECB assumes responsibility for supervising the Eurozone's systemically important banks at the end of October 2014. Until then, the review by the ECB of the rules for valuing the quality of banks' assets and the realisation of the stress tests should be completed. As for the second pillar, agreement was reached on the composition of the Resolution Authority and the Single Resolution Fund. The Authority for deciding on the winding up of banks not directly supervised by the ECB continues to be the responsibility of each one of the countries, unless this implies the involvement of the Single Resolution Fund.

1) *World Economic Outlook, Update January 2014.*

In this case, the decision remains subject to a number of restrictions. Regarding the Single Resolution Fund it was established that its creation will only be completed in ten years from now. Until then, the fund will be supported by contributions from the national financial systems until reaching 55 thousand million euro, while there will be no joint and several liability, so that each state will only be liable for insolvencies occurring in that member state. Recourse to the Single Resolution Fund shall be the last step in the resolution / restructuring of financial institutions: in the first place, the shareholders are liable, in second place the creditors and, thirdly, those holding deposits in excess of 100 thousand euro.

PORTUGUESE ECONOMY

The first quarter marked the lowest point of the cycle

Economic activity posted a contraction of 1.4%[1] in 2013, outperforming the official estimates included in the EFAP[2], which pointed to a downturn of 1.8%. The first quarter marked the cycle's lowest point, when GDP fell by a year-on-year 4%, after which there was an improving trend culminating at the end of the year with the return to expansion in year-on-year terms. The stabilisation in domestic demand and the favourable contribution from net exports were behind this performance. It is worth underlining the export sector's positive behaviour as regards both goods (4.6% annual growth) and services (7% annual growth, with the tourism sector outperforming), a reflection of the greater external competitiveness.

The financing capability relative to the exterior was reinforced, to be fixed at 1.8% in the third quarter of last year. Taking the year as a whole it is estimated that the combined balances on the current and capital accounts amounted to around 2.5% of GDP versus 0.8% in 2012. The improvement in the goods and services balance (positive balance) and the decrease in the income balance deficit were responsible for this performance. In sectorial terms, it is worth highlighting the shrinking of the non-financial corporate sector's financing requirements, while the financing capability of individuals strengthened: in the third quarter, the savings rate was situated at 13.5%, a high level by historical standards.

The average inflation rate was situated at 0.3% at the close of the year, down on the previous year. Besides the weakness in domestic demand, currency appreciation and the stabilisation of oil prices on the international markets at relatively low levels were also underlying factors in the deceleration in the pace of price increases. This trend should underpin households' capacity to purchase goods and, consequently, the behaviour of private consumption.

GDP growth

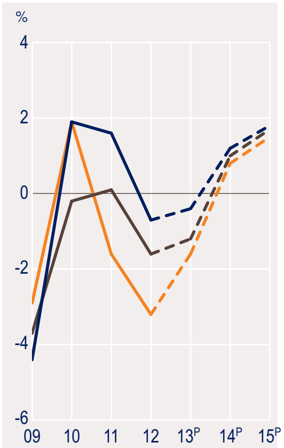


Chart 2

— Portugal
— Spain
— EMU

Source: European Commission, Winter 2014 forecasts.

Current and capital balance as % of GDP

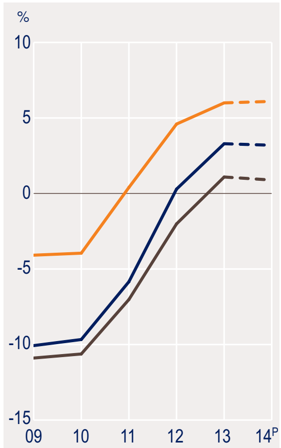


Chart 3

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

Source: Bank of Portugal.

Improvement in the labour market

The labour market registered significant improvements during the year, with the unemployment rate peaking in the cycle in the first quarter at 17.7%, subsequently descending to 15.3% between October and December. Contributing to the decline in the jobless rate were phenomena such as net emigration, which rose at least till the end of 2012, or the unwillingness to participate in the labour market which is reflected in the increase in the available inactive population not searching for employment. This latter phenomenon is in fact common in other developed economies. Worth highlighting as the most favourable signal of the trend in the labour market is the positive year-on-year change in employment in the fourth quarter for the first time since the middle of 2008.

1) Source: INE, rapid estimate.
2) Economic and Financial Assistance Programme.

Positive behaviour of the public finances

The relevant budget balance for ascertaining compliance with the criteria enshrined in the EFAP was situated at 7 151 M.€ (accumulated figure up till December), some 1.7 th.M.€ below the respective limit. The improvement noted relative to 2012, of 2.3 th.M.€ in the overall balance and of 2.5 th.M.€ in the primary balance[1] resulted from an adjusted growth rate in receipts (8.5%) outpacing that for spending (3.8%). The balance in the National Accounts will only be published in March. The estimate points to the deficit being situated slightly above 5%, but below the target of -5.5% agreed to with the EU / IMF and lower than the figure included in the State budget for 2014, -5.9% of GDP.

Scenario for 2014

The International Monetary Fund expects an acceleration in global growth in 2014 of 3.6% following the estimated 3.1% in 2013. This behaviour should be more visible in the advanced economies, in particular in the USA, which should benefit from a more accommodative budgetary policy; and also in the EMU where the abatement of fears relating to the scenarios of rupture in the Union gave support to the stabilisation of the public debt markets and opened up space for boosting economic agents' confidence levels. The Portuguese economy should also record growth after three consecutive years of diminishing activity. The official forecasts[2] point to growth of 0.8%, which should benefit from the stabilisation of domestic demand and the continuing good performance by exports.

Financial system

The financial sector's deleveraging process advanced during 2013, with the loans / deposits ratio declining to 121.3% in September 2013, reflecting a reduction in lending to Customers (including securitised loans) and a slight increase in the resources base (calculated on a consolidated basis for the financial system). Activity in the sector was influenced by the adjustment under way in the Portuguese economy, as reflected in the need to curtail indebtedness levels, transversal to the various sectors of activity. In this context, the reduction in the workforce in the banking sector – year-on-year decline of 6.7%[3] in June 2013 – reflected above all the contraction in Customer loans, resulting also from the suppression of operations in Greece by a Portuguese banking group.

The level of funding obtained from the ECB remained relatively stable throughout the year, at around 9% of total assets, although higher than the average figures recorded in the Eurosystem which stands at some 3% of assets. The amount of total net funding was situated at 42 th.M.€ in December, with longer-term refinancing operations corresponding to about 90% of the total.

There continued to be a deterioration in the quality of the banking loans' portfolio (the credit risk ratio was situated at 11% in June 2013), although the respective cover ratios continue to be high – 54% at the end of the half year, similar ratio to that observed at the close of 2012 – reflecting the effort directed at maintaining the provisioning levels.

During the first quarter of 2013, Banif carried out a recapitalisation operation with recourse to public funds in the amount of 1.1 th.M.€. The amount of available funds under the banking system's recapitalisation amounts to 6.4 th.M.€. The core tier I capital ratio for the banking system was situated at 11.9% at the end of the first half of 2013, complying with the required 10% prescribed in the Economic and Financial Assistance Programme.

Loans

Loans advanced to residents by the banking sector posted a decrease of 6.6% in annual average terms, a slightly larger drop than that observed in 2012: -6.2%. This contraction in financing was extensive to all sectors of activity, but more pronounced in financing to the public sector (-27%) and non-financial companies (-6.1%). In lending to individuals the main feature was the decrease in consumer loans (down 8.4%) which compares with -6.8% in 2012. It should be mentioned meanwhile that at the end of the year there was a minor upswing in new financing operations, suggesting a possible return of dynamism to the credit market during the course of 2014, in line with the improvement in external funding conditions obtained by Portuguese entities.

1) Source: General Directorate for the Budget.
2) IMF, European Commission and Bank of Portugal.
3) Bank of Portugal, Financial Stability Report.

Deposits

Deposits of the non-financial private sector decreased marginally (-1.3%) over the year as a whole, with this trend being attributable to the 9% contraction, in annual average terms, in the deposits of non-financial companies in accordance with the restructuring process under way in the Portuguese business sector. Individuals' deposits posted slight growth of 0.5% in annual average terms. Individuals' increased savings during the year (as evidenced by the sector's higher financing capacity) most likely explain this behaviour.

Evolution of loans in Portugal

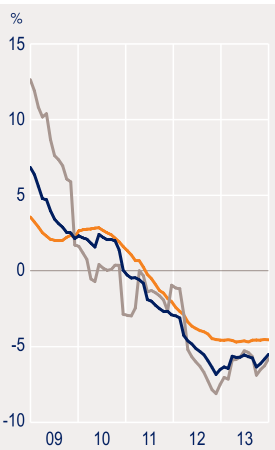


Chart 4

— Individuals
— Companies
— Total lending

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

Trend in deposits in Portugal and in the EMU

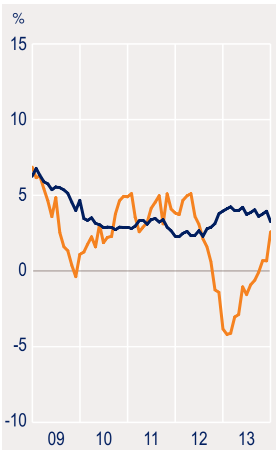


Chart 5

— Portugal
— EMU

Note: growth rates of average balances (12-months moving average).
Source: ECB and Bank of Portugal.

Financial markets

Throughout the year, sentiment on the financial markets was influenced by the prospects of a synchronised return to growth in the leading economic blocs, and backed by the actions of the main central banks through their continued provision of abundant liquidity to the system. The fading of the sovereign debt crisis and the successful conclusion of the bailout programmes for Spain and Ireland (as well as the hope that the Portuguese Programme will also achieve a successful conclusion), explained the euro's appreciation, which over the year posted a gain of around 4%, with the trend gaining momentum in the second half of the year. In the meantime, the US dollar oscillated between an interval of 1.27 to 1.34 against the dollar during the greater part of the year, having lost ground in the final quarter as a consequence of the Federal Reserve's postponement of trimming its asset purchases programme. Meanwhile, the yen lost ground against the other major currencies, mirroring the Bank of Japan's ultra-accommodative monetary policy, having sunk to a 5-year low of 145.67 against the American dollar.

Notwithstanding the European Central Bank's interest rate cuts (to an all-time low of 0.25%) and the willingness displayed by those in charge of the Eurozone's monetary policy to utilise all the instruments at their disposal to ensure accommodative monetary conditions, Euribor interest rates recorded a slight rise during the year, with the three-month benchmark rate climbing from 0.187% in January to 0.287% at the end of December. The progressive reduction in surplus liquidity (as measured by financial institutions' surplus reserves and by the deposits at the ECB) and the improvement in economic prospects explained this behaviour. The early repayment of 3-year long-term refinancing operations (LTRO) launched at the end of 2011 and beginning of 2012, partially explains the decrease in liquidity in euros: the outstanding balance on those operations currently stands at around 44% of the initial figure.

Meanwhile, dollar short-term rates fell slightly despite the Federal Reserve having signalled that it was preparing to taper its asset-purchases programme. This tapering only commenced in January 2014, and should proceed at the rate of 10 thousand million dollars a month. This is one of the factors behind the financial markets' turbulence in the initial stages of 2014, which impacted the asset markets with greater risk and certain economies, as well as the assets of emerging countries with marked weaknesses or economic imbalances.

Public-debt interest rates on the key markets – German Bund and US Treasury – registered falls in the first half of the year, reflecting solid demand for risk-free assets in an environment still characterised by some uncertainty caused either by factors of a political (elections in Italy, budget deadlock in the USA) or economic nature (Cyprus bailout). However, the trajectory altered course from May onwards in the wake of the Federal Reserve Chairman's announcement that the monetary authority was preparing itself to change its intervention conditions. In this context, public-debt implicit rates for 10-year maturities in euro climbed from 1.2% in May to around 2% by the end of the year. 10-year Treasuries rose from 1.64% to approximately 3%. Subsequently this movement abated in response to signs of a certain amount of debility in the behaviour of the US jobs market and the turbulence in certain emerging markets at the beginning of 2014.

The spreads on the periphery public-debt markets posted a downward trend, above all in the latter half of the year bearing in mind that the first six months had been affected by political and institutional upheavals in certain countries, notably Italy, Portugal and Cyprus. The decline in spreads reflected the progress made in the adjustment programmes in Spain and Ireland, as well as in Portugal where there was evidence of consolidation in the public finances. The progress noted in the banking union and in the entire Eurozone's architecture, a benign and optimistic external environment, as well as ample liquidity in the system and the quest for returns were also factors behind this state of affairs.

Evolution of reference rates

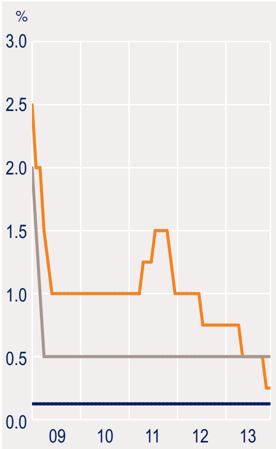


Chart 6

— ECB
— BoE
— Fed

Source: Central banks.

Net financing with ECB in the Eurosystem

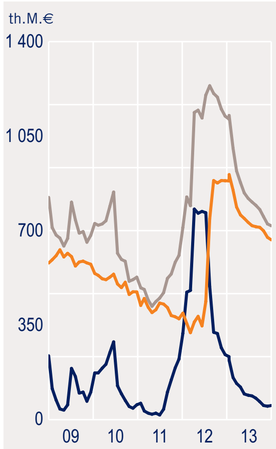


Chart 7

— Gross loans
— Deposits
— Net loans

Source: Central banks.

10-year sovereign debt
Yield

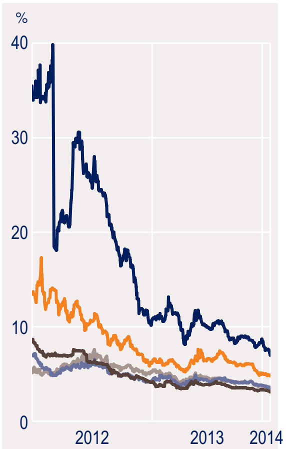


Chart 8

— Greece
— Ireland
— Portugal
— Spain
— Italy

Source: BPI and Reuters.

Corporates and financials
Credit risk premiums

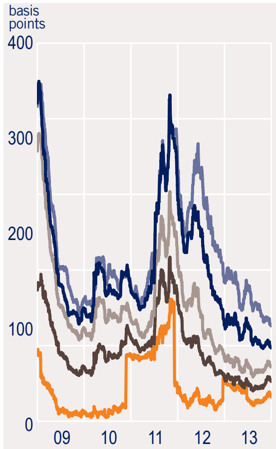


Chart 9

— Financials
— BBB
— A
— AA
— AAA

Source: Credit Suisse, Bloomberg.

Equities market

Global context

The year 2013 began with some uncertainty concerning the economic performance of the Eurozone, primarily those countries most affected by the sovereign debt crisis, exacerbated by a new financial aid programme for Cyprus. Nevertheless, the accommodative monetary policy of the principal central banks, coupled with the improved economic outlook throughout the year in Europe and principally in the United States, permitted the continuation of the general downward movement in the periphery countries' yields and the rebound of the stock markets that had already been observed from the second half of 2012. In this context, the Stoxx Europe 600 index closed 2013 with an accumulated rise of 17%. In turn the S&P 500 – North American main stock market index – closed the year with a 30% gain.

Portugal and Spain – secondary market

In Portugal, the benchmark PSI-20 index ended 2013 up 16%, while in Spain the IBEX 35 index was 21% higher. Trading volumes were up 41% in Portugal to 28 th.M.€ but remained stable at 642 th.M.€ in Spain, registering a performance in line with the Stoxx Europe 600 and S&P 500 global indices (0% and +1%, respectively).

Portugal and Spain – primary market

The Iberian primary (new issues) market remained practically inactive, recording just one initial public offering of any significant size during 2013, that of the CTT, in the total amount of 527 M.€. Moreover, on the Spanish alternative market – MAB – there was only one new listing in the total amount of 21 M.€ (vs. 5 offerings in 2012 worth a total 32 M.€).

Turning to capital increases realised by quoted companies, 2013 was a year of subdued activity on the Iberian market6, with only one operation in Spain involving a total amount of 733 M.€. In 2012, the volume of capital increases totalled 5 316 M.€, mainly due to the recapitalisations in the banking sector.

As concerns bond issues convertible into shares, 2013 saw 9 such operations involving a total amount issued of 3 065 M.€. (against one operation totalling 160 M.€. in 2012).

Equity indexes evolution

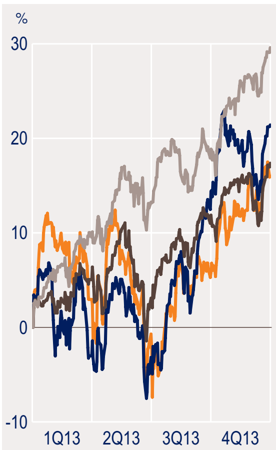


Chart 10

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

Turnover
Secondary market

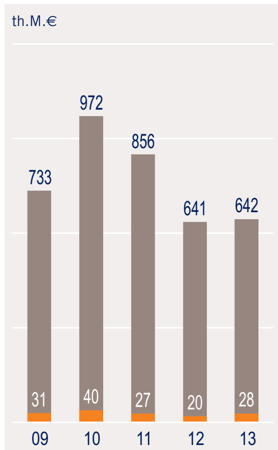


Chart 11

- IBEX 35
- PSI-20

ANGOLAN ECONOMY

Economic activity

The Angolan economy grew by 5.1% in 2013 according to the Ministry of Finance's most recent estimate (5.3% in 2012).

After having consolidated the recovery following the slowdown in 2009, the economy's overall growth was in 2013 significantly influenced by the lower execution of public spending and by the deceleration in oil production growth to 2.6%, being in mind this sector's heavy weight on the economy (accounting for about 45% of GDP, 2012 data, 90% of export revenues and 75% of budget receipts). On the other hand, it is estimated that non-oil GDP posted 6.5% annual growth, thereby reflecting the drive aimed at bolstering the Angolan economy's diversification.

In 2014, the government projects an acceleration in economic activity to 8.8%, underpinned not only by higher crude-oil output (6.5%) but also by the non-oil sectors (9.9%). The non-oil sector should continue to benefit from public investment projects in infrastructures, with the main emphasis on the energy, transportation and housing segments. The country continues to pursue a policy of substituting the importation of basic goods.

In this context and also with the object of encouraging and defending local production, new customs tariffs were approved which will enter into effect in 2014.

Real GDP growth in Angola

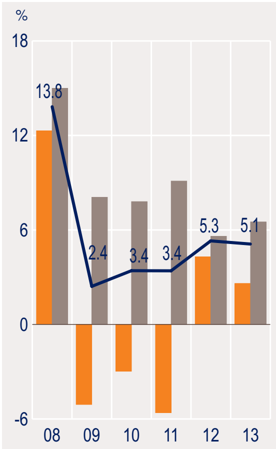


Chart 12

Foreign exchange reserves

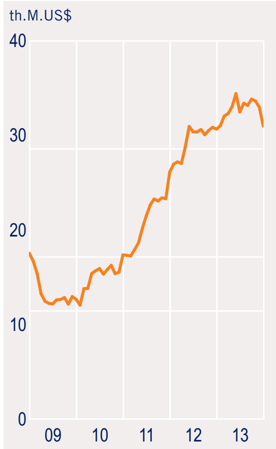


Chart 13

■ Oil sector
■ Non-oil sector
— Total

Source: Angolan Central Bank (BNA).

Economic indicators and forecasts

	2009	2010	2011	2012	2013E
Real Gross Domestic Product growth (yoy, %)	2.4	3.4	3.4	5.3	5.1
Oil sector	(5.1)	(3.0)	(5.6)	4.3	2.6
Non-oil sector	8.1	7.8	9.1	5.6	6.5
Oil production (millions of barrels / day)	1.76	1.76	1.65	1.74	1.72
Price of Angolan oil (average, USD / barrel)	60.9	77.8	108.7	111.0	107.5
Consumer Price Index (y-o-y change, end of period)	14.0	15.3	11.4	9.0	7.7
Fiscal balance (% of GDP)	(5.2)	5.8	12.2	9.3	0.1
Non-oil primary fiscal balance (% of non-oil GDP)	(48.5)	(41.3)	(48.2)	(55.5)	(48.1)
Net foreign exchange reserves (in millions of USD)	12.6	17.3	26.4	30.6	30.9
Average exchange rate (AKZ / USD)	79.3	91.9	94.0	95.6	97.9

Source: IMF, BNA, INE, Angolan Ministry of Finance. E – estimated.

Table 4

External sector

The downward movement in trade balance surpluses continues, in part due to the drop in the crude-oil price while also reflecting the substantial weight of imports required to satisfy domestic demand. Accordingly, the trade surplus should be situated at roughly 5.2 th.M.US$ at the end of 2013, the equivalent of 7% of GDP and below the 9% recorded in 2012.

Net foreign exchange reserves increased by 12% in May relative to December 2012, but closed the year with a year-on-year change of just 1%. The drop in reserves at the end of the year was associated with the deceleration in crude-oil output and the lower oil price. For its part, the Kwanza maintained its slightly downward trajectory, registering greater volatility against the American dollar following the introduction of the new foreign exchange law. The authorities should pursue the current policy of exchange-rate stability so as to ensure balanced external balances and a control over inflation.

Public accounts

In 2013, the Angolan government should present a budget surplus of 0.1% of GDP. Oil-related taxes continue to represent a substantial source of revenue, although the tax base has been progressively extended to encompass the non-oil sector. In the past year, non-oil tax revenues climbed by 27%, representing some 20% of receipts. For 2014, the government estimates a public deficit of 4.9% of GDP, marked by an appreciable increase in spending (+19%), namely non-financial investment expenditure (+50%). The rise in public spending is in line with the commitment to diversify the manufacturing sector, seeking to resolve basic necessities chiefly in the sphere of infrastructures. Meanwhile, spending on the social sector should account for 30% of total expenditure, although 2% down on the preceding year.

Placements of Central Bank Securities (TBC) and Treasury Bills (BT) in the last 2 years

Placement interest rates

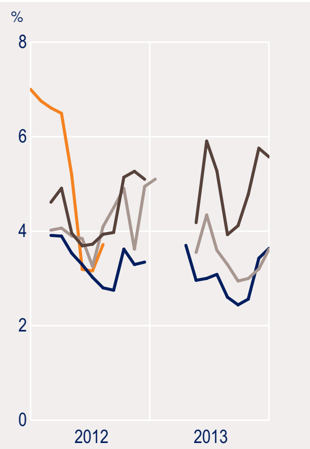


Chart 14

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

Amounts placed

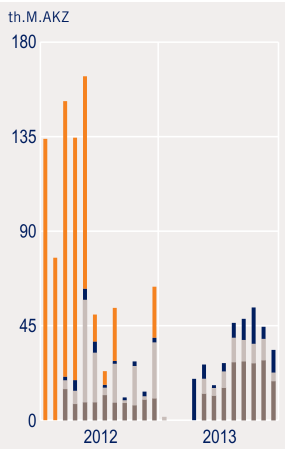


Chart 15

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

Source: Angolan Central Bank (BNA).

The State's preferential form of financing was by way of the issuance of Treasury Bonds (TBonds) (594.6 th.M.AKZ – thousand million Kwanzas), followed by overseas credit lines (576.1 th.M.AKZ) and Treasury Bills (TBills) (292.8 th.M.AKZ). The issuance of TBills for funding the State is not envisaged in 2014; the redemption of TBond's should amount to 670.4 th.M.AKZ, while credit lines should guarantee 1 035.9 th.M.AKZ.

Inflation and interest rates

Monetary policy remained relatively accommodative throughout the year, in an endeavour to force down interest rates – with a view to reducing the cost of credit granted by the financial system which remains high due to the existence of bank guarantees – without jeopardising the control over inflation. The central bank's key rate fell by 100 b.p. during the course of the year to 9.25%, originating a meaningful drop in LUIBOR rates.

The monetary policy pursued did not compromise price stability. In December last year, the average inflation rate in the city of Luanda attained a new historical low, to stand at 7.7% and below the 9% recorded in December 2012.

Banking sector

The focus on making the economy less dollar based was reinforced during the year with the implementation of a new foreign exchange law. The new law, which aims to internalise the capital flows generated by the crude-oil industry, obliges the intermediation of payments via financial institutions headquartered in Angola, thereby injecting dynamism into the interbank currency market (in dollars mainly).

In 2013, domestic credit expanded at an annual average rate of 12.4%, which compares with a 16.1% variation in 2012 and 20.6% in 2011. It is worth highlighting once again the decrease in the weight of loans advanced in foreign currency relative to total credit, shrinking from 38.3% (at the end of 2012) to only 31.7% in December 2013. Lending to the private sector presented even more robust growth, having climbed on average by 13.6% in 2013. In turn, loans to the State (excluding the public business sector) rose by 11.6% after having contracted 3.4% in 2012.

In this manner, deposits in the national banking sector grew in annual average terms by 11.4% in 2013, registering lower growth than in the preceding year (29.1%). The lower weight of deposits in foreign currency *vis-à-vis* total deposits to 37.7% in December compared with 44.8% at the close of 2012, is also consistent with the drive aimed at curbing the use of dollars in the economy.

MOZAMBICAN ECONOMY

Economic activity

Mozambique has maintained robust growth rates in the order of 7%, asserting itself as one of the world economies with the largest expansion. In 2013, the real growth rate was situated at 7.0% according to the estimate presented in the government's Economic and Social Plan, notwithstanding the economy being penalised by the heavy rains which fell in the opening months of the year and which devastated agricultural crops and damaged infrastructures.

The extractive industry sector, in part fuelled by the exploitation of coal and natural gas, continued to constitute the dynamic factor spurring economic activity and the major magnet attracting Foreign Direct Investment (FDI). Despite the rapid growth of the other sectors of activity, namely the transportation and communications, construction and energy sectors, which have benefited from the dynamic exploitation of coal and natural gas, the primary sector continues to account for a large share of local output (roughly ¼ of GDP is derived from agricultural production).

Mozambique's economic performance should continue to stand out positively when compared with the emerging and sub-Saharan economies. The new Economic and Social Plan forecasts real economic growth of 8.0% in 2014, to which the main contribution will be primarily the higher foreign investment directed at the exploitation of natural resources (principally by means of the major investment projects), as well as the public investment in infrastructures.

Public accounts

The State Budget for 2014 maintains the focus on reducing the country's poverty levels and on the development of infrastructures via public investment. Total nominal spending should increase by around 27%. Of the total expenditure roughly 42% corresponds to investment spending (+26%) and 56% corresponds to spending in the primary sectors (+15%). The revenue projected for 2014 should rise by some 22%, which should result from an increase in the budget deficit to 17.5% of GDP, outstripping the 14.5% forecast for 2013. The deficit will continue to be financed above all with recourse to external loans and donations.

Real GDP growth in Mozambique

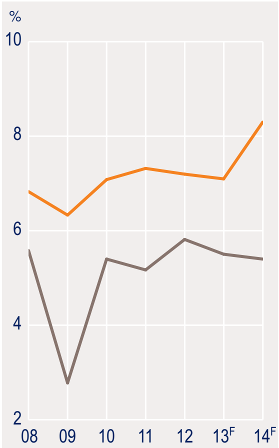


Chart 16

— Mozambique
— Sub-Saharan Africa

Trend in loans and in deposits

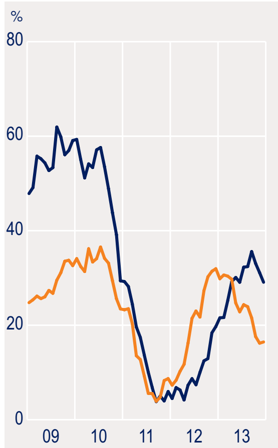


Chart 17

— Loans
— Deposits

Source: International Monetary Fund (IMF) and Banco de Moçambique (central bank).

Financial sector, deposits and loans

Monetary policy continues to be accommodative, seeking to bolster growth while not compromising the control over price stability. The annual rise in prices remains in check at around 4% (3.5% in December), chiefly reflecting the metical's depreciation against the South African rand. The value of the metical against the euro and dollar stabilised in the latter half of the year, but depreciated at the beginning of 2014 owing to the contagion effect from the emerging currencies.

In the drive to reduce interest rates for the economy, the Bank of Mozambique cut the rate applied to the Permanent Provision Facility by 125 basis points during the course of the year (to 8.25%) and the rate applied to the Permanent Deposit Facility by 75 b.p. (to 1.50%). In this way, loans advanced to the economy expanded by 24% between January and October after having grown by 20% in 2012 (the weight of loans in foreign currency remained relatively constant at around 24%). Deposits also recorded a positive change between January and October of about 8.6%.

Domestic Commercial Banking

INDIVIDUALS AND SMALL BUSINESS BANKING

CUSTOMER RESOURCES

At 31 December 2013 the total resources of Individuals and Small Business Banking Customers amounted to 22 327 M.€, corresponding to a 1.5% increase relative to 2012.

Customer resources Amounts in M.€

			2012	2013	Δ%
Sight deposits		1	3 513.5	3 554.1	1.2%
Time deposits		2	10 702.0	11 183.9	4.5%
Bonds and structured products[1] placed in Customers		3	1 639.0	697.6	(57.4%)
PPR (insurance capitalisation)[2]		4	1 076.3	1 089.9	1.3%
Insurance capitalisation[3]		5	1 313.1	1 696.5	29.2%
On-balance sheet resources	*[= Σ 1 to 5]*	6	**18 244.0**	**18 221.9**	**(0.1%)**
Unit trust funds		7	1 095.7	1 147.4	4.7%
PPR[4]		8	657.6	634.5	(3.5%)
Off-balance sheet resources	*[= 7 + 8]*	9	**1 753.3**	**1 781.9**	**1.6%**
Subtotal	*[= 6 + 9]*	10	**19 997.3**	**20 003.8**	**0.0%**
Corporate bonds held by Customers		11	949.3	1 004.9	5.9%
Other Customer securities[5]		12	1 060.0	1 318.0	24.3%
Other Customer resources	*[= 11 + 12]*	13	2 009.3	2 322.9	15.6%
Total Customer resources	*[= 10 + 13]*	14	**22 006.6**	**22 326.7**	**1.5%**

Table 5

On-balance sheet resources posted a slight decrease (-0.1%, -22 M.€) owing to the contraction in the bonds and structured products portfolio (-941.4 M.€; -57.4%) – this in turn is essentially due to the redemptions that occurred which were not offset by new issues – not being sufficiently compensated by the increase in time deposits (+482 M.€; +4.5%) and capitalisation insurance (+383 M.€; +29.2%).

Total off-balance sheet Customer resources (1 782 M.€) expanded by 1.6% in 2013, with special mention of the growth in Unit Trust Funds (+4.7%), with the portfolio amounting to 1 147 M.€ at the end of the year.

Also noteworthy was the placing of 66.3 M.€ in *Mota Engil 6.85% 2013-2016 Bonds* with Individuals and Small Business Banking Customers. The Portuguese Corporate Bonds portfolio placed with Individuals and Small Business Banking Customers stood at 1 005 M.€ at the end of 2013.

CUSTOMER LOANS

At 31 December 2013, the loans and guarantees portfolio of Individuals and Small Business Banking Customers totalled 13 806 M.€, down 4.5% relative to 2012. However, the decrease in this segment's loan portfolio has been decelerating, a process which was more pronounced in the 4th quarter of 2013. At the end of the year, loans to individuals recorded a contraction of 485 M.€ (-3.8%), while loans to small businesses and sole proprietors declined by 156 M.€ (-10.0%) in year-on-year terms.

Customer loans and guarantees Amounts in M.€

	2012	2013	Δ%
Loans to individuals			
Mortgage loans[6]	11 739.3	11 386.5	(3.0%)
Personal loans[7]	678.0	601.4	(11.3%)
Credit cards[8]	160.7	163.7	1.8%
Car finance[9]	188.7	130.1	(31.0%)
Loans to individuals	**12 766.6**	**12 281.7**	**(3.8%)**
Loans to small businesses			
Commercial loans[10]	1 159.3	1 068.1	(7.9%)
Equipment leasing[9]	56.0	41.7	(25.5%)
Property leasing[9]	332.4	283.4	(14.7%)
Factoring	6.1	4.9	(19.5%)
Loans to small businesses	**1 553.8**	**1 398.0**	**(10.0%)**
Total loan portfolio	**14 320.4**	**13 679.7**	**(4.5%)**
Guarantees and sureties	139.5	126.6	(9.3%)
Total	**14 460.0**	**13 806.3**	**(4.5%)**

Table 6

1) Guaranteed-capital and limited-risk bonds.
2) Retirement-savings plans (PPR) in the form of capitalisation insurance.
3) Excludes PPR.
4) Retirement-savings plans (PPR) in the form of unit trust funds.
5) Including third party unit trust funds and third party structured funds placed with Clients. Excludes BPI securities.
6) Loans secured by fixed property. Corresponds primarily to home loans and loans for home alterations.
7) Includes consumer loans and credit lines made available for privatisations.
8) Includes outstanding credit of non-Bank Customers.
9) Includes car financing and leasing originated by Individuals and Small Businesses Banking.
10) Includes overdrafts, current account loans, discounted bills receivable and other loans which form part of the loans products tailored mainly for sole traders and small businesses.

The mortgage loan portfolio was 3.0% lower (-353 M.€) at 11 387 M.€ at the close of 2013, reflecting the decrease in demand and the continued application of stringent criteria in risk evaluation.

The motor car finance portfolio posted a decrease of 58.6 M.€ (-31.0%), mirroring the lacklustre demand for car finance in the light passenger vehicles' market.

Conversely, loans associated with credit cards rose by 1.8% when compared with the previous year.

The personal loans portfolio was situated at 601.4 M.€ at the end of 2013, 11.3% lower (-76.6 M.€) when compared with the preceding year. There was nevertheless a positive trend in the commercialisation of non-financial products relative to the previous year, with 4% growth in the products placed. Contributing to this performance were numerous campaigns promoting prestigious brands.

Individuals and Small Businesses Banking

Loans and guarantees

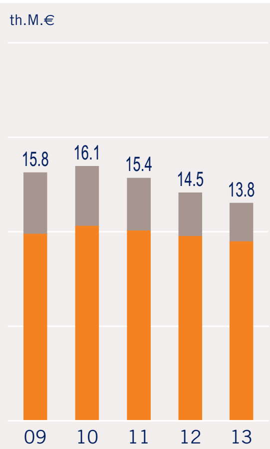


Chart 18

- Other loans and guarantees
- Mortgage loans

Customer resources

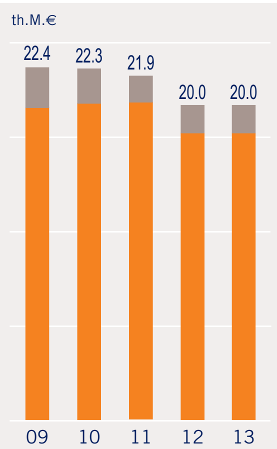


Chart 19

- Off-balance sheet
- On-balance sheet

As concerns small businesses and sole proprietors, three priority segments were earmarked for action in 2013 – Agriculture, Exporters and companies with sound risk indicators. The action and commercial-drive plan was developed targeted at the prospecting for and fostering loyalty amongst Customers falling within these three segments.

BPI held on to a leading position in the programmes launched by the Government aimed at supporting small and medium-sized companies. These included as regards the individuals and small business network the granting of the PME Líder status to 1 286 companies and the PME Excelência status to 251 companies, enabling the BPI Group to assume the leadership in the awarding of the PME Líder and PME Excelência classifications in 2013, attaining market shares of 30% and 37%, respectively.

During the year Banco BPI remained active in the PME Crescimento and PME Crescimento 2013 credit lines, as evidenced by:

- the contracting under the PME Crescimento and PME Crescimento 2013 credit lines of 3 641 operations involving an overall amount of 126 M.€, amongst Customers of the individuals and small business network;
- in the general aggregate of the PME Investe / Crescimento credit lines, BPI handled applications totalling of 2 165 M.€ which enabled it to retain leadership with a market share of 19%.

Equally expressive was the behaviour of the financing granted under the BPI / CAP product range directed at companies in the agricultural sector, with 128% growth in the amount advanced.

CREDIT AND DEBIT CARDS

Banco BPI closed the year with 533 thousand credit cards, which corresponds to a 2.1% decrease relative to December 2012.

The number of debit cards placed with Customers rose by a year-on-year 0.7% to 1 093.5 thousand cards at the end of 2013.

Credit and debit cards
Selected indicators

	2012	2013	Δ%
Credit cards			
No. of credit cards at the end of the year (x th.)	544.6	533.0	(2.1%)
Billing (M.€)	975.5	966.0	(1.0%)
Loan portfolio (M.€)[1]	160.7	163.7	1.8%
Debit cards			
No. of debit cards at the end of the year (x th.)	1 085.4	1 093.5	0.7%
Billing (M.€)	5 738.1	5 795.7	1.0%

Table 7

ISOLATED-SALE INSURANCE

As part of the partnership with Allianz Portugal, Banco BPI commercialises a diverse range of isolated-sale insurance targeted at individuals and SME Customers, sole proprietors and self-employed professionals.

During the course of 2013, the focus remained on the sale of business insurance through the dynamic promotion of these products amongst the small and medium-sized companies, sole proprietors and self-employed professionals segments, with this commitment resulting in the 53% growth in the portfolio of these insurance products, totalling 24 634 policies.

In overall terms and taking into account the complete range of isolated-sale insurance, BPI had 261 thousand policies in portfolio at the end of 2013, reflecting 6% growth when compared with 2012.

NON RESIDENTS

The non-residents' segment caters for those communities living abroad with important links to Portugal, namely communities of emigrants and Portuguese descendants, as well as non-emigrant Portuguese residing overseas.

This segment is serviced by the network of branches and investment centres in Portugal, offering a range specific products, and by structures abroad – six representative offices[2], one information office[2], two money remitter[2] outlets and a subsidiary in France which has 12 branches – geared up for attracting business and providing local support to Customers.

At the end of 2013, the Non Residents segment of Individuals and Small Business Banking[3] was responsible for a resources portfolio[4] of 4 413 M.€ (+0.9% relative to 2012) and for loans of 491 M.€ (-3.7% relative to 2012), representing 22% of resources3 and 3.6% of Individuals and Small Business Banking loans.

The French subsidiary had at the end of 2013 a resources portfolio of 213 M.€ (+1% relative to 2012) and a Customer loans portfolio totalling 83 M.€ (+3% relative to 2012).

1) Outstanding owed by Individuals and Small Businesses Banking Customers and non-Customers.
2) The business originated by the representative offices and by the remittance offices is domiciled Individuals and Small Businesses Banking.
3) Does not include French Branch.
4) Does not include securities portfolio.

HOMEBANKING

BPI offers its Customers the following homebanking services – BPI Directo, BPI Net, BPI Net Empresas, BPI Net Mobile, Apps BPI, as well as the online brokerage services BPI Online and BPI Net Bolsa. The increasing adherence to homebanking services has permitted a progressive transfer of transactional activity from the branches to these channels, freeing the commercial network to focus on higher value-added services. It should be noted in 2013 the milestone mark of 1 million active users of the homebanking services was reached.

As regards Corporate Internet Banking, BPI Net Empresas' digital documentation area was extended in 2013, while a mobile-phone application (App) directed at companies was developed – the App BPI Empresas. It is worth noting that the BPI Net Empresas service was placed in 1st place in Satisfaction with NetBanking, according to the "Barómetro Serviços Financeiros Empresas – BFin 2013", conducted by the market survey firm DATA E.

In 2013 BPI reinforced solutions in the Mobile Banking area. New versions of the range of Apps already available were developed, while a new application was unveiled, the App Universo, in addition to the aforementioned App BPI Empresas. It should be noted that by the end of 2013, more than 180 000 downloads of BPI Apps had been made.

Homebanking services
Selected indicators

	2012	2013	Δ%
BPI Directo / Net + BPI Net Empresas			
Active subscribers (in thousands)	976	1 054	8%
% of the Banks' total consultations (account-balances and activity)[1]	76%	77%	1 p.p.
% of the Banks' total transactions[1]	91%	91%	0 p.p.
BPI Directo / Net			
Active subscribers (in thousands)	885	940	6%
BPI Net Empresas			
Active subscribers (in thousands)[2]	91	114	25%
Online brokerage			
Market share	23.7%	23.6%	(0.1 p.p.)

Table 8

1) All BPI Net and BPI Directo consultations and transactions as a percentage of the Bank's total. Does not include ATM.
2) Does not include Small Businesses Clients that also use the BPI Net service. Those Clients are only considered in the BPI Net service.

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

BPI continued in 2013 – in a macroeconomic and financial environment that continued to adversely affect activity (business) and investment – to maintain a close relationship with Portuguese companies and played an active role in initiatives bolstering funding and support for their internationalisation.

- It maintained a prominent position in the principal State-backed programmes and statutes: PME Investe / Crescimento, Agrogarante, PME Líder and PME Excelência.
- It made available credit lines (BPI exclusives and Protocoled), which totalled 5.8 th.M.€, earmarked for supporting national companies.
- It enabled access to new forms of financing as a complement to direct lending, playing a prominent role in the structuring and placing of corporate bonds for large Portuguese companies (a total of 470 M.€ placed on behalf of REN, Galp Energia and Brisa Concessão Rodoviária).
- It was involved in the Eurobonds market, including its participation as Joint Lead Manager and Bookrunner in two EDP issues worth a total of 1 350 M.€.
- It was the first national bank to take part in the "Risk Sharing Instrument", having launched the 1st credit line guaranteed by the European Investment Fund (EIF), the BPI-FEI Inovação line, an innovative and exclusive solution amounting to 60 M.€, which was subsequently raised to 160 M.€.
- It maintained a strong capability for backing urban rehabilitation projects within the context of the JESSICA initiative in the North and the Alentejo.
- It gave support to international companies with Export Insurance solutions destined for financing and covering risks.
- It organised events devoted to assisting export, agricultural and innovative companies and which were attended by some 5 000 participants.
- It contributed to the financial contribution of 220 M.€ to the Fundos Revitalizar, which funds are earmarked for reinforcing at regional level the capitalisation of SME's seeking to implement expansion, innovation and / or modernisation projects.

At the end of 2013, the loan portfolio of Corporate Banking, Institutional Banking and Project Finance clients amounted to 8 743 M.€, which corresponded to a decrease of 171 M.€ (16.4%) when compared with the end of the preceding year. These Customer resources grew by 15.3% to stand at 2 519 M.€ at the end of the year, in concert with the retraction in corporate investment.

Against a backdrop of high risk, the Bank maintained its policy of stringent credit-risk analysis, as well as practices and processes which ensure a permanent accompaniment and monitoring of companies by the commercial area.

Corporate Banking, Institutional Banking and Project Finance

Amounts in M.€

	2012	2013	Δ%
Loan portfolio			
Corporate loans	5 302.2	4 049.9	(23.6%)
Large companies	2 503.7	1 702.8	(32.0%)
Medium-sized companies	2 798.6	2 347.0	(16.1%)
Project Finance – Portugal	1 201.3	1 158.4	(3.6%)
Madrid branch	1 750.1	1 555.1	(11.1%)
Project Finance	749.6	739.5	(1.3%)
Companies	1 000.5	815.6	(18.5%)
Public sector	2 208.0	1 979.1	(10.4%)
Total loan portfolio	**10 461.6**	**8 742.6**	**(16.4%)**
Guarantees	1 863.5	1 692.2	(9.2%)
Resources[1]	**2 183.9**	**2 518.9**	**15.3%**

Table 9

Corporate Banking, Institutional Banking and Project Finance

Loans and guarantees

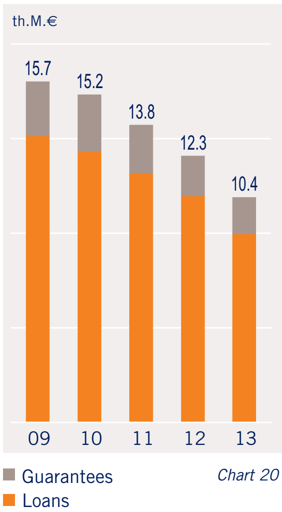


Chart 20

Customer resources

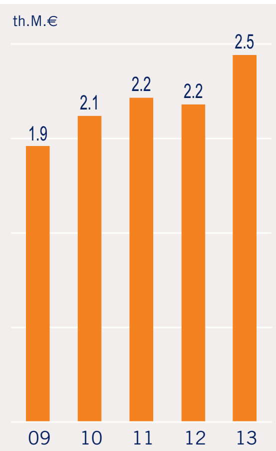


Chart 21

COMPANIES AND LARGE CORPORATIONS

At the end of December 2013, the loan portfolios of Customers belonging to the Medium-sized Companies and Large Corporations segment totalled 2 347 M.€ and 1 703 M.€, respectively, which correspond to decreases of 16.1% and 32% relative to the previous year. This situation reflects the transfer of certain operations, essentially bonds and commercial paper issued by Portuguese companies, to other BPI Group companies.

1) Include sight and time deposits.

BANCO BPI, THE SME BANK

Support for SME

BPI maintained a very prominent position in providing support for SME's through lines protocoled with the Portuguese State. Amongst these initiatives was BPI's participation in the new PME Crescimento 2013 (SME Growth) lines, the extension of the II deadline for the PME Investe and Linha BPI / FEI Inovação lines, and the extension of the term for the operations in the Azores.

These lines allow companies to have recourse to bank financing under very attractive conditions and are a fundamental instrument for companies to access credit. Since their launch, BPI has occupied a leading position, achieving a 19% market share by contracted amount at the close of 2013.

500-million BPI Negócios and 1 000-million BPI Empresas lines

In 2013, BPI pursued the commercialisation of the BPI Negócios 500 M.€ and BPI Empresas 1 000 M.€ credit lines aimed at supporting corporate treasuries and medium-term investment projects, constituting a complementary facility to the State's subsidised lines.

PME Líder and PME Excelência

IAPMEI and Turismo de Portugal promoted the 6th edition of the PME Líder status, which rewards companies with sound risk profiles and which evidence strategies directed at boosting growth and competitiveness. BPI was for the 6th consecutive year the leading bank in assisting SME's to obtain this status. Of the roughly 6 820 PME Líder firms in 2013, BPI was the bank with the largest number of subscribers, with a 30% market share. Of the total number of companies with PME Líder status, 61% are BPI Customers.

The PME Excelência status distinguishes the PME Líder companies presenting the best performances and risk profiles. BPI has also been the leader in this category for 5 consecutive years since it was first introduced. In 2013, the status was awarded to 1 100 companies: 37% of the PME Excelência firms applied via BPI.

Mutual guarantee

Banco BPI continued to play a leading role in the dynamic promotion of mutual guarantee business in close liaison with the mutual guarantee companies (Norgarante, Lisgarante, Garval and Agrogarante), attaining a 17% market share at the end of 2013, in terms of the value of the accumulated portfolio. It is also worth referring to the Bank's position in the agricultural sector where for the third consecutive year it was leader in the amount contracted, guaranteed by Agrogarante, with a market share of 20%.

EIB credit line

As part of a contract with the European Investment Bank (EIB), BPI has at its disposal the 19th global line which is the object of a protocol with the EIB in the amount of 300 M.€, set aside for supporting SME's. BPI has already funded 1 053 SME projects with an average value of 207 thousand euro, which is equivalent to the utilisation of 73% of the line.

BPI / FEI – Inovação line

In the wake of the agreement signed with the European Investment Fund (EIF), in terms of the *Risk Sharing Instrument* (RSI) BPI was the first Portuguese credit institution to make available a 60 M.€ credit line, earmarked to fund the innovative projects of SME and Large Companies with up to 500 Employees. In view of the heavy demand, the line's overall amount was raised to 160 M.€ at the end of 2013. In 2013, BPI had provided financial backing for 90 projects worth an average of 674 thousand euro.

Entrepreneurship lines

In 2013, Banco BPI maintained its support for entrepreneurship, as borne out by its involvement in the FINICIA II line (Microcredit line), the FINICIA III line (FIINICIA FAME) and the IEFP lines (Invest + and Microinvest), under which 295 operations were contracted during the year worth a total of 6.75 M.€.

Agricultural sector

BPI consolidated its presence in the agro-industrial sector, supporting the segment's main fairs and initiatives: Feira Nacional da Agricultura, SISAB, IX Congresso Nacional do Milho, Ovibeja and Essência do Vinho. In addition, in 2013 BPI forged an association with the COFINA Group in the promotion and organisation of the Agriculture 2013 Award, an initiative which aims to encourage and publicise cases of success in agriculture in Portugal. This award, given the nature of its strategic importance at national level, has the sponsorship of the Portuguese government. In this 2nd edition, more than 150 projects were submitted as candidates for the Agriculture Award (up 150% on the 2012 edition), of which 20 were winners or received honourable mentions.

SUPPORT FOR EXPORTS

In order to provide financial backing to export firms, BPI offers a comprehensive product range tailored for these companies, as well as specialist teams who are able to respond to specific needs.

Cross selling with COSEC

The BPI Exportação Segura (secure export) product, i.e. credit insurance exclusive to the BPI network, recorded a total of 337 new operations contracted worth a total 8.5 M.€, a 77% increase relative to 2012. In the sale of credit insurance products, Banco BPI's contribution continues to be crucial for COSEC's overall business, contributing with 37% to COSEC's new business written with policies involving some 600 thousand euro. The contribution from new business contracted, associated with a good retention rate for BPI-brokered Customers, enabled Banco BPI to achieve a market share of 20% of COSEC's total Customer portfolio. Mention is also made of the Bank's activity in the dynamic commercialisation of COSEC's new product – the additional Garantia + and Garantia ++ covers – with a view to increasing the level of credit cover for Customers, particularly in the external markets.

Banco BPI continued to be extremely active in the promotion of State-backed commercial support lines amongst national companies. In this domain, it is worth underlining the Bank's role in the placing of the Line's policies for countries outside the OECD, Mexico and Turkey, which amounted to 60% of the total.

Electronic channels

With the object of responding to the needs of companies with international operations, the portal BPI Net Empresas has tailor-made functionalities, namely the management of export and import documentary credits. The offer of trade finance on BPI Net Empresas, given the broad range of functionalities, constitutes the most comprehensive Corporate Banking internet solution in this area. The BPI Net Empresas functionalities are also available in Castilian and English.

Specialist structures and teams

In important markets for national companies such as Spain, Angola, Mozambique and Brazil, Banco BPI occupies a unique position; in Spain through the special relationship with la Caixa, in Angola, through BFA, in Mozambique via BCI and in Brazil in collaboration with Itaú BBA. In this respect, BPI has at its disposal in collaboration with the above partners, products and services for assisting companies seeking to invest in or export to those markets: "Iberian Solutions for Companies", "Angola-Companies Solutions" and "Brazil Companies Line". In Portugal, BPI has specialist structures geared up to support the aforementioned products and services.

Spanish Companies Office

Provides support for companies operating in the Iberian market and maintains a close relationship with major Spanish groups and companies present in the national market.

Office for Africa

Assists Customers – in conjunction with the BPI corporate centres in Portugal, with BFA in Angola and with BCI in Mozambique – in the conduct of business operations in Angola and Mozambique.

Business Development Unit

Helps companies to expand their business interests to Angola, offering a broad spectrum of services, namely consultancy, and lends support to BFA in the mounting of large-scale and / or highly complex operations.

Trade finance

The trade finance structure actively promotes the sale of specific products for companies engaged in international trade.

Mozambique Financial Services Division

Given the importance of Project Finance activities in Portuguese-speaking countries, notably 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 mandates involving financial consulting and the organisation and mounting of structured finance.

COMMUNICATION AND EVENTS WITH CUSTOMERS

Customer events

BPI organised and participated, in collaboration with prestigious public and private entities, in 45 events attended by some 5 000 participants. These initiatives promoted themes with particular emphasis on business activity, amongst which exports and internationalisation, innovation and agriculture.

The following were the most salient events.

Exports and Internationalisation

BPI Exportação 2013

Fifteen seminars devoted to encourage the debate of international business risks, in particular in certain key markets such as Angola, Mozambique and China. These initiatives, with counted with the participation of COSEC, drew 1 400 participants.

BPI and SME: innovation, exports and internationalisation

Cycle of seminars attended by some 800 participants and targeted at SMEs which, through the medium of discussion panels reviewing successful cases, were aimed at sharing successful strategies and approaches from the standpoint of innovation, exports and internationalisation.

Moreover, BPI gave its backing to its partners' initiatives, amongst which events with the Portuguese-Spanish Chamber of Commerce, the Portuguese-French Chamber of Commerce, COSEC ("Comércio Internacional e Competitividade da Economia Portuguesa"), the Company Directors' Forum.

Agriculture

Agriculture 2013 Award

In the context of the 2nd edition of the Agriculture Award 5 conferences were organised in 5 cities around the country, dedicated to publicise and encourage candidacies, as well as a conference to announce the winners. The 6 sessions attracted around 1 200 attendees.

BPI Agricultura 2013

Cycle of 9 seminars with the object of debating with the sector's key associations and entities the trends / prospects and the financial solutions for supporting Portuguese agricultural entrepreneurs. Some 1 000 participants took part in the cycle.

Innovation and entrepreneurship

Innovation Award COTEC-BPI

BPI once again gave its backing to the award promoted by COTEC Portugal, which honours a group of SME's with innovative attitudes and businesses, and which serve as examples for value creation for the country. In 2013 the winners were Imperial – Produtos Alimentares, S.A. and WIT – Consultoria e Software para a Internet Móvel, S.A. SISCOG – Sistemas Cognitivos, S.A., was given an honourable mention.

COTEC Innovation seminars

BPI lent its support to gatherings organised by COTEC's SME Innovation Network, with the object of disseminating the BPI / FEI Inovação line.

INSEAD Entrepreneurship 2013-2014 Prize

BPI sponsored the 6th edition of this award, which highlights companies that distinguish themselves for their innovation, growth, internationalisation and importance of their strategy for Portugal, as well as the manager who displays management and entrepreneurial capabilities.

Creative Industries National Prize

Once again BPI backed this prize, which aims to foster the appearance of innovative projects and to contribute to increasing the number of copyrights, industrial property rights, trademark and patent registrations. The winner of the 2013 edition was Musikki while the Story-Trail project received an honourable mention.

BPI-Primavera seminar

The seminar organised in Porto, in partnership with Primavera Business Software Solutions, was dedicated to analysing and debating the importance of management information for monitoring business and risk trends. The event attracted 170 participants.

BPI Empresas newsletter

BPI makes available an electronic newsletter to the corporate segment, as well as analyses and other important information of current business affairs. The newsletter is distributed to more than 50 thousand Corporate Banking recipients.

BPI Empresas web site

In the companies section of the web site www.bancobpi.pt comprehensive useful information is available relating to BPI products and services tailored to business Customers' needs.

INSTITUTIONAL BANKING AND STATE BUSINESS SECTOR

Public-sector Customer loans amounted to 1 979 M.€ at the end of December 2013, which represents a 10% year-on-year decrease.

PROJECT FINANCE

The Project Finance segment's loan portfolio presented a 2.7% contraction when compared with the end of the previous year, to be situated at 1 898 M.€ in December 2013. There are still a number of projects in the disbursement phase, essentially concentrated in the domestic market, totalling 150 M.€.

BPI's strategy in this segment remained deliberately focused on the greater selectivity in the funding of projects, on the decision of non-involvement in new operations on the international market and on the reinforcement of activities involving the monitoring of the portfolio of loans and guarantees under management. These options must be viewed against the backdrop of challenging internal and external macroeconomic conditions and the marked reduction in the launching of new investment projects in infrastructure, particularly under the Public Private partnership (PPP) regime.

Even so, the Bank remained active in the proactive execution of financial consultancy assignments in Project Finance and PPP operations. Noteworthy in this domain were its involvement in the health, infrastructures and transportation sectors, involving both private enterprises and central and local government entities, while continuing to carry on its role of permanent financial advisor in several projects, in the majority of cases accompanied since their inception.

Bancassurance

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

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

Bancassurance's performance in 2013 is reflected in the following indicators: the amount of commissions rose to 38.8 M.€; insurance premiums totalled 139.7 M.€; at the end of the year, the number of active insurance policies stood at 382 thousand in life assurance and 464 thousand in non-life insurance.

Commissions
Intermediation of insurance products

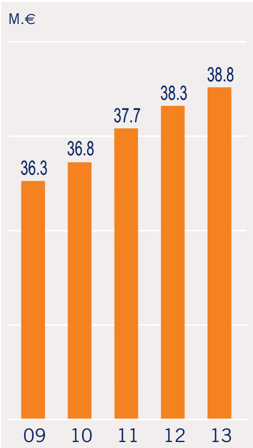


Chart 22

Insurance
Life-risk and non-life

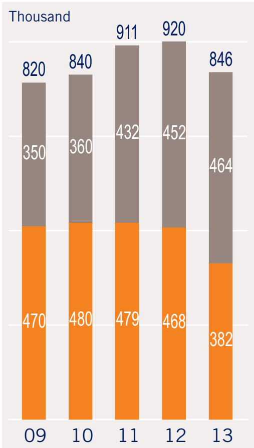


Chart 23

Non-life insurance
Life-risk insurance

Asset management

OVERVIEW OF ACTIVITY

At the end of 2013, BPI Gestão de Activos managed financial assets totalling 7 905 M.€, 6% more than the 2012 figure.

Assets under management Amounts in M.€

	2012	2013	Δ%
Unit trust (mutual) funds	2 038	2 142	5.1%
Real estate unit trust funds	193	192	(0.4%)
Pension funds	1 919	2 123	10.6%
Capitalisation insurance	2 986	3 364	12.7%
Institutional Customers	506	289	(43.0%)
Total[1]	**7 462**	**7 905**	**5.9%**

Table 10

BPI's Asset Management occupies a leading position in the national market, with market shares of 15.3% in the management of unit trust (mutual) funds (third place), 15.7% in pension-fund management (third place) and 9.5% in the contracting of new capitalisation insurance with guarantees (also third in the ranking).

Assets under management
2009-2013

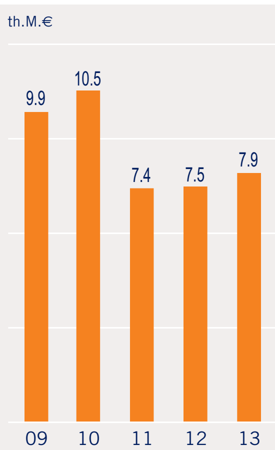


Chart 24

Breakdown at 31 Dec. 13

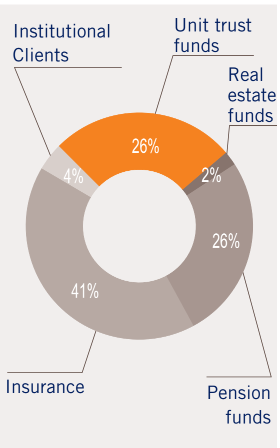


Chart 25

UNIT TRUST FUNDS

The value of unit trust (mutual) funds under BPI's management grew by about 5% in 2013, outpacing the 0.8% growth recorded by the national market. At the end of 2013, BPI Gestão de Activos had a 15.3% market share, maintaining its third place in the national fund manager rankings.

Unit trust funds under management Amounts in M.€

	2012	2013	Δ%
Bonds and money market	703	861	23%
Capital growth (equities)	376	406	8%
Tax efficiency (PPR/E and PPA)	698	669	(4%)
Diversification	261	206	(21%)
Total	**2 038**	**2 142**	**5%**

Table 11

REAL ESTATE UNIT TRUST FUNDS

In the real-estate funds' portfolio, the amount under management was virtually unchanged (192 M.€ at the end of 2013), whereas the national market witnessed a 6% drop in the total value of open-end real-estate funds. BPI Gestão de Activos's market share in the management of real-estate unit trust funds was 4% at the end of 2013, which corresponded to twelfth place in the ranking.

INSURANCE

At the end of 2013, the life-capitalisation assurance portfolio amounted to 3 205 M.€, that is, an increase of some 18% on the preceding year.

Capitalisation insurance portfolio under management[2] Amounts in M.€

		2012	2013	Δ%
Under commercialisation				
With guaranteed capital or income				
PPR[3]	1	1 106	1 118	1.1%
Other savings plans / capitalisation	2	1 270	1 643	29.4%
[= 1 + 2]	3	**2 376**	**2 761**	**16.2%**
Without guaranteed capital or income	4	324	430	32.7%
Under commercialisation *[= 3 + 4]*	5	**2 700**	**3 191**	**18.2%**
Excluded from commercialisation[4]	6	23	14	(39.1%)
Total *[= 5 + 6]*	7	**2 723**	**3 205**	**17.7%**

Table 12

1) Adjusted to eliminate double counting.
2) Amount of the mathematical provisions of the capitalisation insurance products. Does not include BPI Vida e Pensões' own portfolio and BPI Vida PPR pension fund.
3) Marketed in the form of insurance capitalisation.
4) Products closed to new and / or additional subscriptions.

BPI Vida e Pensões records a strong expansion in the contracting of new capitalisation-insurance business in 2013 to total 826 M.€. This figure represents a 233% rise when compared with the low level of new business written in 2012 (248 M.€) after 2 consecutive years of steep falls. The recovery in new business contracting was common to the national market as a whole, where the overall increase relative to the previous year was 33.6%.

At the end of 2013, BPI Vida e Pensões had a 6.2% market share in terms of new insurance contracting (life and non-life), corresponding to fourth position in the market.

As concerns the capitalisation insurance with guarantee segment – which is the object of BPI Vida e Pensões's main focus – the market share is 9.5% (5.0% in 2012), corresponding to third position in the ranking.

PENSION FUNDS

In 2013 BPI Vida e Pensões achieved a 10.6% increase in net assets under management, which compares with the market's growth of 3.4%.

At the end of 2013 BPI Vida e Pensões was responsible for 39 Pension Funds of some 250 companies with overall net assets of 2 123 M.€.

In 2013 BPI won the full management of a further eight corporate pension plans.

BPI Vida e Pensões occupied third place in the ranking of pension-fund managers in terms of the volume of managed assets at the end of 2013. The estimated market share was 15.7% (15% in 2012), not considering the amounts under management of the Bank of Portugal's Sociedade Gestora do Fundo de Pensões and of Previsão, whose sole mission is centred on the management of the respective shareholders' pension funds. In the management of open-end pension funds, BPI retains the leadership with its 30% market share, managing the biggest open-end pension fund, the Fundo de Pensões Aberto BPI Valorização.

UNIT TRUST FUND AWARDS

Diário Económico / Morningstar

BPI Gestão de Activos was one of the winners of the 2013 edition of the Diário Económico / Morningstar awards, which once again endorsed the quality of BPI's management of unit trust funds.

This is already the fourth consecutive year in which BPI Gestão de Activos receives the distinction of being rated the Best National Equities Fund Manager. In addition to this honour, the company was also voted the Best Portugal Equities National Fund Manager.

PENSION FUND AWARDS

13th IPE European Pension Awards 2013

The management company BPI Vida e Pensões received the award for the best pension fund in Portugal in 2013 from the magazine IPE, Investment & Pensions Europe.

This award pays tribute to the management of open-end pension funds, in particular the BPI Valorização and BPI Acções funds. The introduction of new classes in the strategic allocatoin of assets and the dynamism of tactical management on a quantitative basis were important factors underlying the award given to BPI Vida e Pensões.

Investment banking

CORPORATE FINANCE

In 2013, Mergers & Acquisitions activity in Portugal[1] recorded a 13% contraction in value and 15% in the number of deals relative to 2012, based on the data reported by Bloomberg of announced operations, excluding the financial and property real estate sectors. The market languished at depressed levels, above all if we consider the deals as financial advisor and excluding large deals (in excess of 2 Bi.€): the market was situated at 69% below the 2005-2013 average in value terms and 75% in number.

In this scenario, BPI managed to reinforce its market position, having advised in transactions with a total value of almost 1 Bi.€. BPI attained first position in the Bloomberg ranking by the number of operations announced, and third place in value.

BPI's Corporate Finance was chosen to provide services in high-profile operations, amongst which we can highlight advising the Board of Directors in the merger with Zon, the support given to Sonaecom as financial intermediary in the takeover bid for the company's own shares, advising Ascendum in the acquisition of Volvo's construction equipment business in 9 countries of Central and Eastern Europe, and advising Wiese & Krohn shareholders in the sale of the Port wine company.

In addition to those operations, BPI was involved in a number of advisory assignments covering the taking of investment decisions (in Portugal and abroad), economic and financial reviews, valuations, restructuring and financing to a broad spectrum of national and international entities. The most noteworthy included advisory mandates undertaken on behalf of entities such as the Bensaude Group, Partex, the Azores Regional Government, Villas-Boas / ACP, Intraplas, Coindu, Inter-Risco, Efanor, Porto Editora and CGC Genetics.

It is also worth referring to the work performed in the CTT Initial Public Offering (retail tranche), and the advisory services rendered in Angola in partnership with BPI's Business Development Unit. In addition, BPI advised non-Portuguese entities: Prisa, in the sale of publishing assets in Portugal, Corporacion America, in the analysis of an investment opportunity, and Neoelectra in the study of investment opportunities.

In aggregate, 23 advisory mandates were concluded, with 7 additional mandates in progress at the beginning of 2014.

Presented below are some of the advisory services of a public nature in which BPI was involved in 2013.

optimus Advising on the merger with Zon	SONAECOM Financial intermediary in the takeover of the company's own shares	ASCENDUM Support in the acquisition of Volvo construction equipment business in 9 countries of Central and Eastern Europe
KROHN PORT SHIPPERS SINCE 1865 Advising to the shareholders on the sale of the company	PARTEX OIL AND GAS Advising in determining the fair value of oil interests	PRISA Advising on the sale of Lux, Lux Woman and Wine Magazine
ctt correios Placement of the retail tranche in IPO	GRUPO BENSAUDE Economic and financial analysis	neoelectra Advising on the analysis of investment opportunities

1) Transactions where the target and / or buyer is Portuguese.

EQUITIES

Secondary market

In 2013 BPI brokered share dealings worth 7.6 th.M.€ (6.4 th.M.€ in 2012) and generated net brokerage commissions of 9.4 M.€. In online brokerage, Banco BPI was market leader with a share of 21.9%. Considering also the Investment Bank (via the BPI Online channel), BPI has an aggregate market share of 23.6%, having brokered 2.8 th.M.€.

Primary market

Banco BPI was leader in the placing of shares in CTT's Initial Public Offer, with a 15.0% market share. Adding this to that of BPI – Banco de Investimento's share of 3.4%, the BPI Group attained an 18.4% share, which corresponded to the placing of 3.9 million shares (21.3 M.€).

Research and sales

BPI continues to be one of the research houses with the largest coverage of quoted companies in the Portuguese and Spanish markets, with a total of 69 companies covered in Spain and 25 in Portugal at the end of 2013. In addition, from its offices in Oporto, Madrid and Paris, BPI covers 25 quoted French companies (in the CAC40 index) and a Danish company.

BPI continued to organise numerous events with the goal of fostering relations with companies and the institutional investor community. Amongst these, it is worth noting the *X Iberian Conference* held in Oporto on 12 and 13 September, at which 35 Iberian companies and some 70 institutional investors were present, as well as representatives of the Portuguese government. Furthermore, BPI organised several roadshows with companies forming part of its coverage universe, with 2013 featuring the first roadshow with a French CAC 40 company.

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 2013, it expanded its universe of research coverage from 32 to 70 stocks, including a number of companies quoted on sub-Saharan stock markets (South Africa, Botswana, Ghana, Mauritius, Mozambique, Nigeria, Kenya, Ruanda, Senegal, Tanzania, Uganda, Zambia and Zimbabwe). Moreover, BPI Capital Africa maintained active contact with some 90 institutional investors based in South Africa and various international markets.

At the end of 2013, the BPI Capital Africa team was composed of 14 staff (from Portugal, South Africa, Zimbabwe, Mozambique and England).

Trading

The principal trading activity was concentrated at BPI Alternative Fund – Iberian Equities Long Short. At the end of 2013, the Bank held roughly 80% of the fund's participating units. The fund turned in a positive performance of 7% in 2013, net of commissions.

Recognition

At the end of 2013, the Iberian team was composed of 31 Employees, of who 13 form part of the research team and 15 are working in the sales and trading areas.

This team received widespread recognition in the main Iberian brokers' rankings, as borne out by the following awards:

NYSE Euronext
- Most active Research House 2013 – Portugal.
- Most active Trading House in shares – Compartments B and C 2013 – Portugal.

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

Institutional Investors
- #3 Iberian Research Team in 2013 – 2014 Institutional Investor Awards – All Europe.

Deloitte
- #1 Portuguese Research Team – IRG Awards.

Starmine / Expansion
- #1 Research team with the highest number of awards bestowed.

PRIVATE BANKING

BPI Private Banking's business volume increased by 5% to 4 733 M.€ at the end of 2013. Assets under discretionary management and advisory mandates amounted to 4 046 M.€ in December 2013, which corresponded to 4% growth relative to the figure recorded in the same period a year earlier.

Private Banking
Selected indicators

Amounts in M.€

			Dec. 12	Dec. 13	Δ%
Discretionary management and advisory services		1	3 890	4 046	4%
Stable investments under custody		2	425	487	15%
Loans portfolio		3	212	200	(5%)
Business volume	*[= Σ 1 to 3]*	4	**4 526**	**4 733**	**5%**

Table 13

Against a backdrop which – in the first half of the year was marked by uncertainty, above all as regards the resolution of the sovereign-debt crisis which affected Europe's periphery countries and which, in the second half, witnessed an improvement in the outlook for the US and European economies, as well as signs of recovery in the Portuguese economy –, priority was given to boosting closer Customer relations and activity focused on the presentation of proposals for the gradual diversification of investment portfolios from the risk and maturity perspective so as to take advantage of new market opportunities. International business was also advocated as a priority objective.

As a result, there was a decline in the volumes allocated to deposits, with a corresponding increase in the portfolio of investment solutions, such as unit trust funds, structured products and capitalisation insurance.

The prospecting for new Customers in 2013 represented 8% of the initial Customer base.

BPI's Private Banking service was recognised for the 5th time by being voted the "Best Domestic Private Banking" by the "Euromoney Private Banking Survey 2014".

PRIVATE EQUITY

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

At the end of 2013, the overall portfolio of the Group's private equity assets, comprising its own portfolio and the participating interests in the venture-capital funds, totalled some 101 M.€ at balance sheet values.

The participating units in venture-capital funds at the end of December 2013 corresponded:

- to the 52.0% interest in the Fundo Caravela – Fundo de Capital de Risco with a capital of 30 M.€, promoted by BPI and managed by Inter-Risco. This fund is in the disinvestment stage.
- to the 46% interest in the Fundo Inter-Risco II, launched in 2010, and which is also managed by Inter-Risco, S.A. At the end of 2011, the fundraising period was concluded, having attracted funds of 81.5 M.€. Besides BPI's participation as sponsor with a position of 37.5 M.€, it has as key investors the European Investment Fund and the Fundação Calouste Gulbenkian. The fund adopts a generalist sectorial approach and focuses on buyout and build-up investment in unlisted small and medium-sized Portuguese companies. The investment period commenced in 2010 and extends to 2014.

  The Fundo IR II, in addition to the investments already made in the oral health, veterinary medicine and refrigeration logistics areas, invested in 2013: i) in the hotel business through the creation of Just Stay Hotels, dedicated to the implementation of a buy and build strategy in the limited-service hotel industry; ii) in ENC Energy, a holding company whose subsidiaries are specialists in solutions involving the extraction, conditioning and energy recovery of the biogas generated in agro-industrial waste-treatment, liquid effluent and solid urban-waste processes; and iii) in Mwide SGPS, a holding company controlling 100% of Mecwide, a specialised engineering services company in the oil & gas, energy production and automobile sectors.
- the 9% participating interest in the Fundo PVCi, a 111 M.€ fund managed by the European Investment fund, geared towards investments in private equity and venture capital funds in Portugal.

BPI also made an additional investment of 30 M.€ in the Fundo IR II CI during 2013, a co-investment fund managed by Inter-Risco destined for making co-investments with the Fundo IR II, reinforcing in this manner the investment capability in SME and build-up projects. This investment was formalised on 4 July 2013, while by the end of the year it had invested in the share capital of Just Stay Hotels, Mecwide and ENC Energy.

The portfolio of investments under management in BPI's Private Equity at the end of 2013 was as follows:

Private Equity investments

Managed funds

Caravela fund	52.0%	Early-stage and seed capital investments in Portuguese SME
Inter-Risco II fund	46.0%	Expansion and buyout investments in Portuguese SME
Inter-Risco II CI Fund	99.8%	Investments in SME and build up projects
PVCI	9.0%	Investment in private equity and venture capital funds in Portugal

Equity interests[1]

Inter-Risco, S.A.	49.0%	Venture capital fund manager

1) Include a 20% stake in Caravela Gest (Food retailer – Haagen Dazs) and 9.2% in Conduril (civil engineering and public works), as well as a 2.72% shareholding in Corporación Financiera Arco.

International activity

BANCO DE FOMENTO ANGOLA

The growth in BFA's business is underpinned by the continuing expansion of its physical and virtual distribution network, the larger workforce and strengthened operational infrastructure, in parallel with the development of a segmented range of financial products and services.

At the close of 2013, BFA had total assets of 8 823 M.US$ (11.4% more than in 2012), a headcount of 2 428 Employees and a distribution network made up of 175 units serving more than 1 million Customers.

With the entry into force of a new foreign exchange regime for the oil and gas sector, that industry's capital flows are now domiciled in the national banking system. Within this framework, and understanding the impact that the new regime would have on the national banking business, BFA created in the Companies Division's commercial structure two new Corporate Centres: Oil & Gas – Operators and Oil & Gas – Vendors. The first was set up in the first half of 2012 immediately following the implementation of the Law of 12 May, with the goal of bolstering the relationship with the operator firms, and the second in 2013 for the purpose of managing the relationship this sector's service providers.

Resources

Customer resources[1] posted 11.8% growth to stand at 7 771 M.US$. In December, BFA had a 15.9% market share in deposits, placing it in second place in the market.

Loans

The loan and guarantees portfolio, measured in dollars[1], recorded a -3.1% decrease to 1 789 M.US$. BFA's market share was 11.6%[2] in December 2013: this percentage corresponds to fifth position in the market ranking.

At the end of 2013, 61.2% of the loan and guarantees portfolio corresponded to the companies segment and the remaining 38.8% to the individuals segment.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	2012	2013	Δ%
Net total assets	6 007	6 409	6.7%
Loans to Customers	1 082	1 072	(1.0%)
Loans to Customers and guarantees	1 400	1 299	(7.2%)
Customer resources	5 270	5 645	7.1%
Shareholders' equity	581	625	7.7%
Employees (no.)	2 267	2 428	7.1%
Branches (no.)	167	175	4.8%
ATM machines (no.)	320	347	8.4%
POS (no.)	3 917	4 842	23.6%
Customers (thousand)	1 074	1 193	11.0%

Table 14

Customer loans

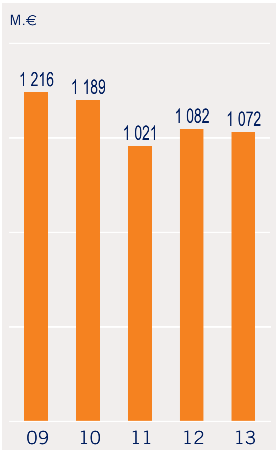


Chart 26

Customer deposits

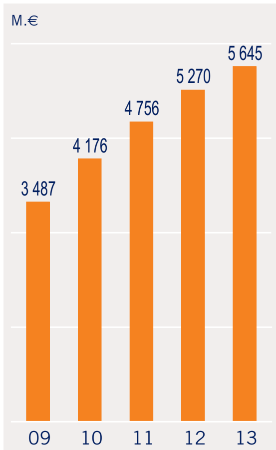


Chart 27

Cards and automated banking

BFA has a leading position in debit and credit cards in Angola, with 823 thousand valid debit cards at the end of 2013, which corresponded to a market share of 23.6%, and with close to 15 thousand active credit cards (Classic and Gold).

The Bank maintained a prominent position in the stock of active TPA devices and ATM facilities in 2013, closing the year with 4 842 TPA terminals corresponding to the top spot with 24.8% market share, and 347 ATM machines, which corresponds to second position with a 16% market share.

1) When analysing the performance of BFA's commercial activity, variances in dollars are used for those items bearing in mind that close to 49% of Customer resources and 40% of the loan book are denominated in dollars, and therefore are more representative of the evolution of business in Angola. When analysing the impact on the Group's financial statements, the consolidation currency is the euro. Expressed in euro, Customer resources grew by 7% while the loan and guarantees portfolio decreased by 7% in 2013.
2) According to the Central Bank's statistics, for this purpose, loans are deemed to include loans, Treasury Bills and Treasury Bonds, as well as financial investments.

Securities portfolio

BFA's securities portfolio totalled 2 426 M.€ at the end of 2013. Around 21% of the securities portfolio comprised short-term securities (with maturities of up to one year) issued by the Angolan Treasury and by the Angolan central bank, while the remaining 79% corresponded to Angolan Treasury Bonds with maturities ranging from 1 to 6 years.

Customers

The inflow of new Customers proceeded at a brisk pace in 2013, enabling the Customer base to expand by 119 thousand. At the end of 2013, BFA Customers numbered a total of 1 193 thousand.

The homebanking service has been growing, registering a total of 54 thousand new users in 2013 relative to 2012.

Employees

At the end of 2013, BFA's staff complement stood at 2 428, representing an annual increase of 7%.

Commercial network

BFA continued to pursue its segmentation strategy and the expansion of the distribution network, most notably in Luanda province. In 2013 8 new branches and one new Corporate Centre were opened, specifically dedicated to serving companies providing services to the crude-oil sector, CE Oil & Gas Vendors.

Customers

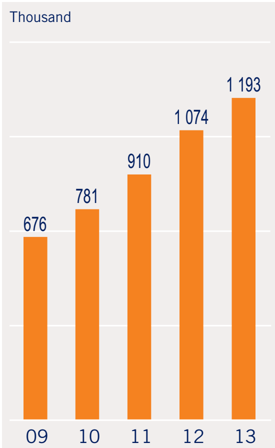


Chart 28

Subscribers of homebanking services

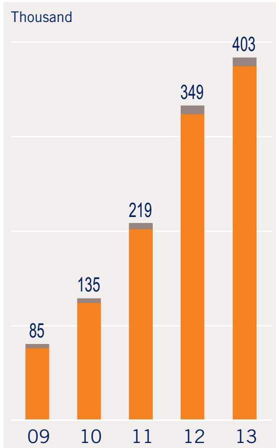


Chart 29

- BFA NET
- BFA NET Particulares (individuals)

CAMPAIGNS

20 Years, 1 Million Customers

In order to celebrate its 20 years' presence in the Angolan market and reaching the 1 million Customers milestone, BFA created a communication campaign. It also strengthened BFA's reputation as the bank for all Angolans and shared the success of these 20 years with Customers, Employees and the general public.

BFA Net Empresas – Pay their salaries without going to the Bank

With the intention of promoting the processing of salaries through the BFA Net Empresas service, BFA launches the "Pay their salaries without going to the bank" Campaign. This campaign focused also the security and simplicity of the online salary-payment process.

20 years – 1 million Clients.

BFA Net Empresas – pay your salarys without going to the bank.

NEW ORGANISATIONAL STRUCTURE FOR LENDING

In the first half of 2013 alterations were introduced into the organisational structure for lending operations, resulting in the creation of new Divisions. The prime objective was to reinforce and inject greater dynamism into action in the corporate and personal loan areas. The principal changes were:

- integration of the Corporate and Individuals Loan Recovery Areas into a single structure – the Loan Monitoring, Recovery and Legal Proceedings Division;

- the aggregation at the Structured Finance Division of responsibility for the analysis, formulation and monitoring of lending operations for the corporate segment's medium and long-term investments, which was then named the Structured and Investment Finance Division.

GREATER COMMERCIAL FOCUS ON BOOSTING COMMERIAL PROTOCOLS WITH COMPANIES

Commercial protocols seek to create conditions by means of a formal agreement between the Bank and the employer which permit Employees to access loan credit products under favourable terms, in exchange for the domiciliation of their salary.

In this domain, a new Division was created which began to aggregate responsibility for the prospecting and commercial promotion of protocols, as well as the evaluation of the credit risk of operations granted under the commercial protocols, responsibilities previously split between the Marketing Division and the Individuals and Small Business Loans Division.

BFA'S NEW WEB SITE

In 2013 BFA revamped its Customer web site as part of the digital strategy for its brand. The web site renovation had as its goal making it more appealing and interactive and, at the same time, more functional and accessible.

Information was divided into three segments: Individuals, Companies and Investment Centres, presenting for each type of Customer a range of tailored products.

This content was structured with attractive images and videos, while the written text is clear and concise.

The creation of BFA's new web site reflects the Bank's ongoing commitment to improving virtual communication with its Customers.

BFA's new web site.

RECOGNITION

Global Brands Magazine

Best Banking Brand in Western Africa

The Global Brands magazine distinguished BFA with the Prize “Best Banking Brand in Western Africa”. The chief factor behind the award is the diversity of the products and services range.

Sirius Award

Best Annual Report and Accounts

BFA was honoured with the award for the “Best Management Report and Accounts” in the 3rd edition of the Sirius Awards. The jury’s decision was based on the quality of the management and financial information provided by BFA relating to 2012.

International Finance Magazine

Best Corporate Bank and Best Commercial Bank

The International Finance magazine rated BFA as the “Best Corporate Bank” and the “Best Commercial Bank”. It annually distinguishes the best banking sector entrepreneurs in the various business categories.

EMEA Finance

Best Bank

The EMEA Finance magazine honoured BFA for the fourth time with the award “Best Bank” in Angola for its performance and the consistency of its results.

World Finance

Best Banking Group

The World Finance magazine elected BFA as the “Best Banking Group in Angola”. This distinction was given due to the consolidation of operations and the contribution to Angola’s economic development.

Capital Finance International

Best Programme for Involvement with the Community

BFA won the award for the “Best Programme for Involvement with the Community” by the magazine Capital Finance International. This accolade was based on the BFA Social Fund which was set up from the annual appropriation of 5% of the Bank’s total profits between 2004 and 2009.

Global Banking and Finance Review

Best Commercial Bank

BFA received the award for being the “Best Commercial Bank in Angola”. The principal factor behind the honour is its diversified range of products and services, the extensive branch network and the Social Responsibility Programme dedicated to Education, Health and Social Solidarity.

Deustche Bank

STP Excellence Award

BFA was distinguished for the eleventh consecutive time by Deustche Bank with the STP Award (Straight Through Processing) as a result of the high rate of success in the index of the automatic processing of foreign operations carried out in 2012, with a 99.62% success rate.

Superbrands

Excellence Brand

BFA was honoured by Superbrands for the third time as being a Brand of Excellence. Superbrands Angola rewards Brands of Excellence for their performance in the local market.

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

At the end of 2013, BCI was the 2nd biggest Mozambican bank in terms of business volume (Customer loans and resources), with a 28.5% market share.

BCI's total assets were 2 030 M.€ at the end of 2013, which corresponded to 15% year-on-year growth. BCI accounted for 28.4% of the Mozambican financial system's total assets at the end of 2013.

Deposits

Deposits taken from Customers posted 13% growth in 2013 when measured in euro to stand at 1 449 M.€. The bank's market share in deposits was situated at 28.2% at the end of the year.

Loans

The loan portfolio totalled 1 093 M.€ – up 16% on the previous year when measured in euro. BCI's market share in the lending segment was situated at 28.9% in December 2013.

Distribution network

BCI opened 4 new branches in 2013. In December, the bank boasted a total of 132 distribution points, of which 118 were traditional branches, 7 were Business Centres and 7 were Exclusive Centres. On the other hand and reflecting BCI's priority focus on expanding electronic banking, the ATM network added 3 units (1%) while the POS network was boosted by another 832 units (+22%). The bank's Customer base climbed to 777 thousand (38% higher), who were served by a total of 2 121 Employees.

Banco Comercial e de Investimentos
Selected indicators

Amounts in M.€

	2012	2013	Δ%
Net total assets	1 772	2 030	15%
Loans to Customers (net)	939	1 093	16%
Customer deposits	1 279	1 449	13%
Shareholders' equity	130	150	16%
Employees (no.)	1 906	2 121	11%
Branches (no.)	128	132	3%
ATM machines (no.)	320	323	1%
POS (no.)	3 862	4 694	22%
Customers (thousand)	564	777	38%

Table 15

Customer loans

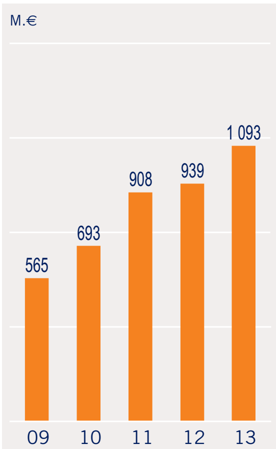


Chart 30

Customer deposits

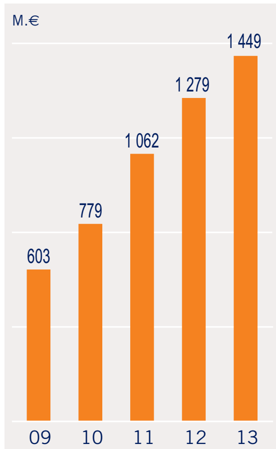


Chart 31

MOZAMBIQUE FINANCIAL SERVICES DIVISION

During 2013, the activities of the Mozambique Financial Services Division (Direcção de Serviços Financeiros Moçambique – DSFM), created on 1 January 2012, were centred on the execution of the mandates in progress, on promotional activity presenting the Project and the Team (DSFM and BPI Moçambique), and on supporting the prospecting for and execution of new mandates in Mozambique.

The Division also continued to undertake the monitoring of Banco BPI's loan and guarantees portfolio in African countries, which at the end of 2013 totalled 104.4 M.€, compared with around 49.35 M.€ at the end of 2012.

BPI MOÇAMBIQUE

2013 saw the finalisation of the setting up of BPI Moçambique – Sociedade de Investimento, S.A., dedicated to providing services in the financial consultancy area and to the structuring of medium and long-term financing in Mozambique and surrounding countries.

The company's transformation (originating from the stockbroking firm BPI Dealer, formed in 1999) was formally approved by the Banco de Moçambique on 24 April, with the completion of the building alteration works and occupation of the premises taking place in June. At the end of 2013, it awaited the building inspection certificate and final authorisation for the formal commencement of the company's operations.

Financial review

OVERVIEW OF CONSOLIDATED RESULTS

BPI recorded in 2013 a consolidated net profit of 66.8 M.€. The return on consolidated average shareholders' equity (ROE) was 2.9%.

Consolidated net profit was down 73% relative to 2012 as a consequence of the fall in profit earned from domestic activity, from a net profit of 162.6 M.€ in 2012 to a negative figure of 28.3 M.€ in 2013.

International operations, which refer primarily to the business carried on in Angola through BFA and, to a lesser degree, by BCI in Mozambique, contributed 95.2 M.€ to consolidated net profit, which corresponds to a 10% improvement when compared with a year earlier. The ROE from international operations, to which 15% of the Group's average capital is allocated, was situated at 28.4%.

Consolidated cash flow (after taxation) was 358.8 M.€ in 2013.

Consolidated net profit

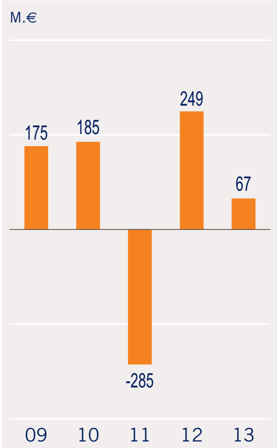


Chart 32

Consolidated ROE

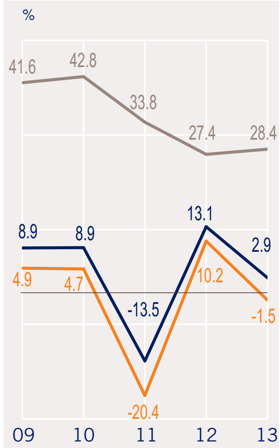


Chart 33

— Consolidated
— International activity
— Domestic activity

Net profit, efficiency and profitability

Amounts in M.€

	2012	2013		
	Consolidated	Domestic activity	International activity	Consolidated
Net profit	249.1	(28.3)	95.2	66.8
Net profit per share[1]	0.216	(0.020)	0.069	0.048
Cash flow after taxation	588.4	239.8	119.0	358.8
Net operating revenue	1 330.0	715.7	332.4	1 048.1
Net operating revenue per Employee[2] (thousands of euro)	151	113	140	120
Operating costs / net operating revenue[3]	48.1%	72.4%	39.7%	62.1%
Operating costs / net operating revenue, excluding non-recurring impacts[4]	62.1%	86.5%	39.7%	69.4%
Average total assets	44 423.0	38 366.8	6 188.4	43 331.2
Return on average total assets (ROA)	0.8%	(0.1%)	3.0%	0.4%
Average Shareholders' equity	1 904.4	1 932.7	334.6	2 267.2
Return on average Shareholders' equity (ROE)[5]	13.1%	(1.5%)	28.4%	2.9%

Table 16

1) Corresponds to net profit divided by the weighted average number of shares, after deducting treasury stocks, and adjusted for the capital increase through cash injection in August 2012 (200 M.€).
2) Number of Employees of the companies which are consolidated in full.
3) Operating costs as percentage of net operating revenue.
4) Excluding non-recurring impacts on both costs and revenues.
5) In calculating ROE, it was considered the Shareholders' equity prior to deduct the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets.

Domestic operations

Operating profit earned from domestic operations declined by 311 M.€ (-61%) in 2013 and is chiefly explained by the 302.5 M.€ (-30%) decrease in revenue, due primarily to:

- the drop in profits from financial operations of 154 M.€;

- the 117 M.€ decrease in net interest income, which was penalised in 2013 by the cost of the CoCo (84.9 M.€) when in the previous year the CoCo-related cost relating to just half a year[1] had been offset by the income from the Treasury Bonds portfolio which was subsequently disposed of.

Operating costs increased by 1.6% (+8.2 M.€) and include in 2013 non-recurring costs of 20 M.€ related in large part to early retirements. Operating costs excluding non-recurring items posted a 3.9% decrease (-20.3 M.€) due mainly to the 5% decrease (-16.0 M.€) in personnel costs.

Since the first signs of the international financial crisis in 2007, the Bank has embarked on the rationalisation of its operating structure: this has involved the gradual downsizing of its branch network and the workforce deployed in operations in Portugal, in tandem with stringent cost control.

Between 2008 and 2013, the staff headcount employed in domestic activity was reduced by 1 493 Employees (-19%) and the distribution network trimmed by 124 units (-15%). As regards costs in 2013 (excluding non-recurring items) these present a nominal decline of 15.8% when compared with the 2007 figure, which corresponds to an annual-equivalent saving of 94 M.€.

Despite the continued decrease noted in costs during the past few years, the contraction in the income base – penalised by the costs of the CoCo, by the costs of time deposits and by historically low Euribor rates –, explains that in 2013 costs absorb 72.4% of the revenue generated (86.5% excluding non-recurring impacts from both the cost and income sides). Accordingly operating profit (197.2 M.€) was insufficient to cover the amounts set aside for loan impairments (net of recoveries) of 249 M.€. Pre-tax loss was 37.5 M.€ while the net loss for the year was 28.3 M.€.

In 2013 net credit loss (loan impairments net of recoveries as a percentage of the loan portfolio) was situated at 0.98% (0.91% in 2012); this amount is significantly higher than the average indicator of 0.33% in the 10 years falling between 2003 and 2011.

Up till the start of the financial crisis, the net credit loss indicator trended within a narrow band which peaked at 0.31%, while in 2007 it was situated at 0.15% (38 M.€). Since then, owing to the economic repercussions of the international financial crisis, that indicator has recorded a moderate deterioration up until 2010 to 0.41% (119.4 M.€). The deterioration in the net credit loss indicator has become more pronounced in the last two years, climbing to 0.98% (249 M.€) in 2013, by virtue of the prolonged and severe downturn in economic activity in Portugal.

International operations

Income from international operations rose by 6.6% in 2013.

The rise in costs in international activity has mirrored the ongoing expansion of BFA's operational structural in Angola. In 2013, operating costs were up 2.4%.

Nevertheless, bearing in mind that costs represent just 40% of income, the growth rate in income has had a proportionally greater impact on earnings, with the result that operating profit derived from international operations advanced by 9.6% to 200.3 M.€.

Net profit improved 10% to 95.2 M.€.

1) The CoCo (contingent convertible subordinated bonds) were issued on the 29 June 2012. The remuneration of CoCo corresponded to an effective annual rate of 8.5% in the first year and 8.75% from June 2013, increasing by 0.25% in June 2014 to 9.0%, and by 0.5% in each one of the two following years.

Consolidated income statement

Amounts in M.€

		Domestic activity[3]			International activity[4]			Consolidated		
		2012	**2013**	**Δ%**	**2012**	**2013**	**Δ%**	**2012**	**2013**	**Δ%**
Net interest income (narrow sense)	*1*	368.7	254.4	(31.0%)	180.3	190.3	5.6%	548.9	444.7	(19.0%)
Other income[1]	*2*	32.6	30.0	(7.9%)	1.1	0.4	(62.6%)	33.7	30.4	(9.6%)
Net interest income *[= 1 + 2]*	*3*	**401.3**	**284.4**	**(29.1%)**	**181.3**	**190.7**	**5.2%**	**582.6**	**475.1**	**(18.4%)**
Technical result from insurance contracts	*4*	23.0	24.8	7.6%	-	-	-	23.0	24.8	7.6%
Commissions and other fees (net)	*5*	281.9	256.5	(9.0%)	50.4	53.9	6.9%	332.3	310.3	(6.6%)
Profits from financial operations	*6*	325.7	171.6	(47.3%)	75.7	89.9	18.8%	401.4	261.5	(34.8%)
Operating income and charges	*7*	(13.7)	(21.6)	(57.9%)	4.4	(2.1)	(147.9%)	(9.3)	(23.7)	(155.2%)
Net operating revenue *[= Σ 3 to 7]*	*8*	**1 018.2**	**715.7**	**(29.7%)**	**311.8**	**332.4**	**6.6%**	**1 330.0**	**1 048.1**	**(21.2%)**
Personnel costs, excluding non-recurring	*9*	318.5	302.5	(5.0%)	62.8	64.3	2.5%	381.3	366.8	(3.8%)
Outside supplies and services	*10*	179.9	177.9	(1.1%)	53.5	54.4	1.7%	233.4	232.4	(0.5%)
Depreciation of fixed assets	*11*	20.4	18.1	(11.3%)	12.7	13.3	4.8%	33.1	31.4	(5.1%)
Operating costs, excluding non-recurring personnel costs *[= Σ 9 to 11]*	*12*	518.8	498.5	(3.9%)	129.0	132.1	2.4%	647.8	630.5	(2.7%)
Non-recurring personnel costs / (gains)[2]	*13*	(8.5)	20.0	335.3%	-	-	-	(8.5)	20.0	335.3%
Operating costs *[= 12 + 13]*	*14*	**510.3**	**518.5**	**1.6%**	**129.0**	**132.1**	**2.4%**	**639.3**	**650.5**	**1.8%**
Operating profit *[= 8 - 14]*	*15*	**507.9**	**197.2**	**(61.2%)**	**182.8**	**200.3**	**9.6%**	**690.7**	**397.5**	**(42.4%)**
Recovery of loans written-off	*16*	12.8	15.3	19.4%	2.7	2.3	(15.3%)	15.5	17.6	13.3%
Loan provisions and impairments	*17*	254.4	264.3	3.9%	14.9	8.4	(44.0%)	269.4	272.6	1.2%
Other impairments and provisions	*18*	33.7	(14.2)	(142.2%)	3.1	2.2	(30.0%)	36.8	(12.0)	(132.7%)
Profits before taxes *[= 15 + 16 - 17 - 18]*	*19*	**232.6**	**(37.5)**	**(116.1%)**	**167.5**	**192.1**	**14.7%**	**400.1**	**154.5**	**(61.4%)**
Corporate income tax	*20*	81.9	5.0	(93.9%)	6.4	15.4	141.0%	88.3	20.4	(76.9%)
Equity-accounted results of subsidiaries	*21*	13.6	16.3	20.3%	10.3	10.8	5.2%	23.8	27.1	13.8%
Minority interests	*22*	1.7	2.1	26.6%	84.8	92.3	8.7%	86.5	94.4	9.1%
Net profit *[= 19 - 20 + 21 - 22]*	*23*	**162.6**	**(28.3)**	**(117.4%)**	**86.5**	**95.2**	**10.0%**	**249.1**	**66.8**	**(73.2%)**
Cash flow after taxation *[= 23 + 11 + 17 + 18]*	*24*	**471.1**	**239.8**	**(49.1%)**	**117.2**	**119.0**	**1.5%**	**588.4**	**358.8**	**(39.0%)**

Table 17

1) Unit linked gross margin, income from securities (variable yield) and commissions related to deferred cost (net).

2) Non-recurring personnel costs:
In 2012: a net gain of 8.5 M.€ which was due to (i) early-retirements costs of 30.2 M.€ and (ii) a gain of 38.7 M.€ resulting from changes in calculating the death subsidy, following the publication of Decree Law 133 / 2012 of 27 June.
In 2013: net costs of 20.0 M.€ which were due to (i) early-retirements costs of 23.3 M.€ and (ii) a gain 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

3) The domestic activity comprises the commercial banking activity conducted in Portugal, the provision of banking services to non-residents abroad – namely to Portuguese emigrant communities, and those of the Madrid branch –, the activities relating to investment banking – conducted by Banco Português de Investimento –, private equity, asset management and insurance.

4) International operations comprise the activity conducted by Banco Fomento Angola, 50.1% held and consolidated in full, as well as well as the activity of Banco Comercial e de Investimentos (BCI) in Mozambique, for which BPI results appropriation results from the 30% shareholding held (equity accounted), the activity of BPI Moçambique – Sociedade de Investimento (100% held) and the activity of BPI Capital África in South Africa (100% held). International operations' contribution to net profit in 2013 from Banco Fomento Angola amounted to 88.0 M.€, from BCI was 9.9 M.€, from BPI Moçambique was -1.0 M.€ and from BPI Capital África was -1.7 M.€.

A SOLID FINANCIAL SITUATION

At 31 December 2013 Banco BPI presents adequate capitalisation, satisfactory risk indicators, pension liabilities fully covered by the respective funds, a loans / deposits ratio of less than 100%, comfortable leverage and liquidity ratios (CRD IV / CRR) and minimal net medium and long-term debt refinancing requirements.

Core tier I ratio

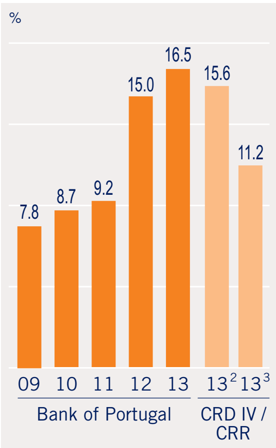


Chart 34

Loans-to-deposits ratio[1]

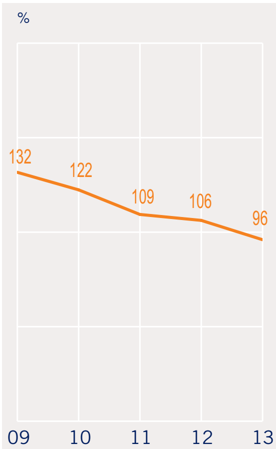


Chart 35

Adequate capitalisation

According to Bank of Portugal rules

Core tier I[4] capital stood at 3.5 thousand M.€ at the end of 2013. This figure corresponded to 16.5% of risk-weighted assets, which represented a surplus capital of 1.4 thousand M.€ *vis-à-vis* the 10% minimum ratio prescribed for Portuguese banks.

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

Core tier I capital calculated in accordance with the fully implemented CRD IV / CRR rules (that is, without benefiting from the phasing-in period envisaged in these rules) stands at 2.4 th.M.€. The core tier I ratio is situated at 11.2%, which relative to the 7% minimum ratio (minimum core tier I ratio plus the conservation buffer) corresponds to a capital surplus of 713 M.€.

Redemption of CoCo

Since the issue of the contingent convertible subordinated bonds (CoCo) subscribed by the State in June 2012 and up till the end of 2013, BPI has redeemed 580 M.€, reducing the amount in State hands from 1 500 M.€ to 920 M.€. Already in the first quarter of 2014, following approval by the Bank of Portugal and the European Banking Authority (EBA) of a new request to redeem CoCo submitted to the Ministry of Finance, BPI effected an additional redemption of 500 M.€, as a consequence of which the amount of CoCo held by the State has decreased to 420 M.€[5].

Balanced funding and liquidity

Balance sheet funding is stable and the liquidity situation balanced:

- the transformation ratio of deposits into loans according to Bank of Portugal Instruction 23 / 2011 improves from 106% in 2012 to 96% in 2013;
- the leverage ratio according to the fully implemented CRD IV rules stands at 5.5% at 31 December 2013 (minimum ratio in calibration, which is projected to be situated at 3%);
- the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) were situated at 350% and 113%, respectively, according to the fully implemented CRD IV rules, whose minimums will be 100%;
- BPI had at the close of 2013 a Portuguese short-term public-debt portfolio (Treasury Bills) of 3.5 th.M.€, representing 8.2% of consolidated assets;
- the amount of resources obtained by BPI from the ECB was 4.0 th.M.€ (9.4% of assets) at the end of 2013. This figure is close to the amount of Treasury Bills held in portfolio;

1) According to Bank of Portugal Instruction 23 / 2011.
2) CRD IV / CRR – rules for 2014.
3) CRD IV / CRR – Fully implemented.
4) Essentially shareholders' equity and minority interests (excluding preference shares) and 920 M.€ of contingent convertible subordinated bonds subscribed by the Portuguese State under the Bank Recapitalisation Plan.
5) Pro forma core tier I CRD IV ratio of 8.3%, in December 2013, based on the amount of outstanding CoCo of 420 M.€.

- the Bank also had assets capable of being transformed into immediate liquidity in ECB operations of 5.5 th.M.€;

- medium and long-term debt refinancing requirements arising in the next few years are not material: 1.1 th.M.€ from 2014 through to 2018. It should also be noted that the redemption will take place in 2019 of 2.7 thousand M.€ of public debt bonds held by BPI in portfolio.

Capital and liquidity

Amounts in M.€

	2012 Consolidated	2013 Consolidated
Capital		
Shareholders' equity and minority interests	2 061	2 306
Core tier I capital[1]	3 684	3 477
Total own funds[1]	3 675	3 403
Risk weighted assets[1]	24 512	21 016
Core tier I ratio[1]	15.0%	16.5%
Core tier I ratio (CRD IV / CRR rules for 2014)	-	15.6%
Core tier I ratio (CRD IV / CRR fully implemented)	-	11.2%
Liquidity / Leverage		
Leverage ratio (CRD IV / CRR fully implemented)	-	5.5%
Liquidity coverage ratio (CRD IV / CRR fully implemented)	-	350.0%
Net Stable Funding Ratio (CRD IV / CRR fully implemented)	-	113.0%
Loans-to-deposits ratio[1]	106.2%	96.0%

Table 18

Quality of assets

BPI continues at the end of 2013 to maintain good loan quality indicators:

- the ratio of loans in arrears for more than 90 days was 3.6%;

- the credit-at-risk ratio was 5.1%;

- new loan default situations[2] declined from 0.95% of the loan portfolio in 2012 to 0.57% in 2013;

- the credit risk cost reflected in the income statement rose to a historical high of 0.96% of the loan portfolio, which in light of the slowdown in new loan default situations meant a reinforcement of impairment allowances;

- accumulated impairment allowances in the balance sheet for loans and guarantees amount to roughly 1.0 th.M.€;

- accumulated impairment allowances in the balance sheet for loans and guarantees covered 100% of loans in arrears for more than 90 days (92% in 2012) and 77% of credit-at-risk (71% in 2012), not considering the effect of collaterals;

- specifically for exposures to loans with repayment instalments in default, accumulated impairment allowances in the balance sheet allocated to these loans[3] and guarantees received (real or personal) covered 85% of the total exposure to the aforesaid credit, that is, loans in arrears for more than 30 days and the associated loans falling due;

- the gross value of loan-foreclosure fixed properties was 168.3 M.€ and was 20% covered by impairments. Following a request from the Bank of Portugal, BPI carried out the valuation of all the foreclosed properties. In this exercise, BPI arrived at a surplus of impairment charges of 30 M.€, having reversed this excess of impairments in the fourth quarter of 2013.

1) According to Bank of Portugal Instruction 23 / 2011.
2) Calculated as the change in loans in arrears (for more than 90 days) balance between the beginning and the end of the year plus write-offs made and deducted of recovery of loans in arrears previously written-off.
3) In addition, BPI had set aside 321 M.€ for impairments of loans with no instalments in arrears and for guarantees. Also taking this figure into account, total non-performing loans and associated loans falling due were covered to the extent of 108%.

Consolidated

Full coverage of pension liabilities

At the end of 2013, pension liabilities attributable to BPI (1 082 M.€) were 105% covered by the pension funds.

Assets quality and pension liabilities

Amounts in M.€

	2012	2013		
	Consolidated	Domestic activity	International activity	Consolidated
Assets quality				
Loans in arrears for more than 90 days / Loans to Customers	3.2%	3.6%	4.4%	3.6%
Credit at risk / Loans to Customers[1,2]	4.2%	5.0%	6.5%	5.1%
Net credit loss[3]	0.92%	0.98%	0.56%	0.96%
Pension liabilities				
Employee pension liabilities	937	1 082	-	1 082
Cover of pension obligations[4]	105%	105%	-	105%

Table 19

1) According to Bank of Portugal Instruction 23 / 2011.
2) 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.
3) Loan impairments in the year, after deducting recoveries of loans in arrears written-off (in the income statement) as % of the Customer loans average portfolio.
4) Pension funds' assets include contributions to be transferred to the pension funds (0.5 M.€ in 2012 and 2.9 M.€ in 2013).

Consolidated balance sheet

Amounts in M.€

		2012	2013	Δ%
Assets				
Cash, deposits at central banks and deposits and loans to credit institutions	1	3 433.5	3 725.1	8.5%
Loans and advances to Customers	2	27 345.5	25 965.1	(5.0%)
Financial assets held for dealing	3	1 111.6	1 295.8	16.6%
Financial assets available for sale	4	10 252.9	9 694.2	(5.4%)
Investments held to maturity	5	445.3	136.9	(69.3%)
Investments in associated companies and jointly controlled entities	6	202.3	222.0	9.8%
Other	7	1 773.5	1 660.6	(6.4%)
Total assets *[= Σ 1 to 7]*	8	**44 564.6**	**42 699.7**	**(4.2%)**
Liabilities and shareholders' equity				
Resources of central banks	9	4 270.9	4 140.1	(3.1%)
Credit institutions' resources	10	2 568.4	1 453.2	(43.4%)
Customer resources and other loans	11	24 621.1	25 495.0	3.5%
Debts evidenced by certificates	12	3 787.6	2 598.5	(31.4%)
Technical provisions	13	2 255.4	2 689.8	19.3%
Financial liabilities associated to transferred assets	14	1 591.0	1 387.3	(12.8%)
Contingent convertible subordinated bonds	15	1 200.3	920.4	(23.3%)
Other subordinated loans and participating bonds	16	156.3	136.9	(12.4%)
Other	17	2 052.9	1 572.3	(23.4%)
Shareholders' equity attributable to BPI shareholders	18	1 708.0	1 921.9	12.5%
Minority interests	19	352.7	384.4	9.0%
Total Shareholders' equity and minority interests *[=18+19]*	20	**2 060.6**	**2 306.3**	**11.9%**
Total liabilities and Shareholders' equity *[= Σ 9 to 19]*	21	**44 564.6**	**42 699.7**	**(4.2%)**
Note: bank guarantees	22	2 390.4	2 106.8	(11.9%)
Off-balance sheet Customer resources[1]	23	2 913.3	3 137.5	7.7%

Table 20

Consolidated balance sheet structure in 2013

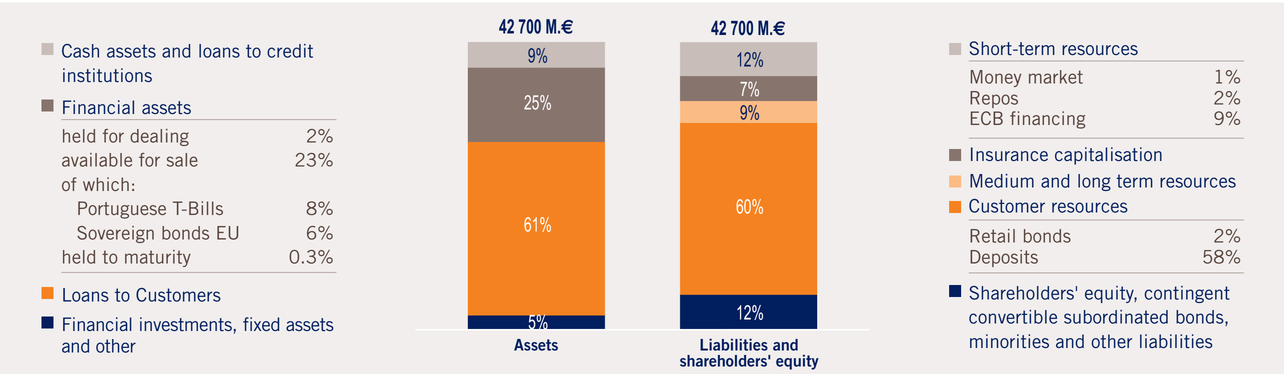


Chart 36

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

GROUP CAPITAL

ACCOUNTING SHAREHOLDERS EQUITY

Accounting shareholders' equity and minority interests were 2 306 M.€ at the end of 2013, and corresponded to:

- shareholders' equity attributable to BPI Shareholders of 1 922 M.€;
- minority interests of 384 M.€ corresponding essentially to Unitel's 49.9% shareholding in BFA (314.3 M.€) and the preference shares issued by BPI Capital Finance (51.0 M.€).

The 245.7 M.€ increase in shareholders' equity in 2013 is mainly explained by:

- the net profit of 161.2 M.€ generated in the year, of which 66.8 M.€ attributable to BPI shareholders and 94.4 M.€ attributable to the minority interests;
- by the positive variance in the fair value reserve of 166.5 M.€. This change is explained by the price appreciation of the public-debt and corporate bonds held in the portfolio of available-for-sale financial assets as a consequence of the significant decrease in the respective yields on the secondary market;
- and, with negative impact, by BFA's payment to Unitel of the dividends relating to 2012 (50.6 M.€).

Shareholders' equity and minorities interests trend in 2013

Amounts in M.€

		Shareholders' equity attributable to BPI shareholders	Minority interests	Total
Shareholders' equity and minority interests at 31 December 2012	*1*	**1 708.0**	**352.7**	**2 060.6**
BFA dividends paid to minorities interests	*2*		(50.6)	(50.6)
Net profit	*3*	66.8	94.4	161.2
Change in the fair value reserve, net of deferred taxes	*4*	166.5		166.5
Exchange translation differences of foreign companies	*5*	(21.2)	(21.0)	(42.2)
Actuarial variances, net of deferred taxes	*6*	(3.0)		(3.0)
Other	*7*	4.7	9.1	13.8
[= Σ 2 to 7]	*8*	**213.9**	**31.8**	**245.7**
Shareholders' equity and minority interests at 31 December 2013 *[=1+8]*	*9*	**1 921.9**	**384.4**	**2 306.3**

Table 21

Capital ratios

Core tier I ratio according to Bank of Portugal rules

The core tier I capital ratio (according to Bank of Portugal rules) at the end of 2013 stood at 16.5%, which corresponded to a capital surplus of 1 375 M.€ *vis-à-vis* a 10% minimum ratio prescribed for Portuguese banks.

In 2013 BPI effected the early repayment of 280 M.€ contingent convertible subordinated bonds (CoCo) subscribed by the State within the scope of the recapitalisation process, reducing the amount of the outstanding issue amount from 1 200 M.€ to 920 M.€.

Notwithstanding the impact on the core capital of the redemption of the CoCo, the core tier I ratio rose by 1.5 p.p. relative to 2012, which is primarily explained by the positive impact of the following factors:

- internal capital generation which translated into retained earnings of 115.7 M.€, of which 66.8 M.€ attributable to BPI shareholders and 48.9 M.€ to minority interests[1], with an impact on the core tier I ratio of about +0.5 p.p.;
- decrease in risk-weighted assets of 3.5 th.M.€, with an impact on the core tier I ratio of around +2.4 p.p. This trend is largely explained (i) by the contraction in the loan portfolio (decrease in risk-weighted assets of 1.7 th.M.€) and of the available-for-sale corporate bonds (decrease in risk-weighted assets of 0.4 th.M.€), (ii) by the change in the weighting of the irrevocable

1) Corresponds to 93.2 M.€ relating to minority shareholders' interests in net profit for the year (excluding preference share dividends), after deducting dividends of 44.4 M.€ to be distributed by BFA to Unitel relating to the 2013 financial year.

payment commitments resulting from the compulsory contributions to the Deposits Guarantee Fund, in the wake of Bank of Portugal Notice 4 / 2013 (decrease in risk-weighted assets of 445 M.€), (iii) by the change in the weighting of the exposure to Angolan public debt in international operations (decrease in weighted assets of 634 M.€) and (iv) by the reduction in requirements for operating risk (decrease in weighted assets of 124 M.€ in 2013).

Own funds requirements ratio
Calculated according to the Bank of Portugal rules

Amounts in M.€

			2012	2013
Accounting shareholders' equity attributable to BPI shareholders		1	**1 708.0**	**1 921.9**
Minority interests, excluding preference shares		2	294.6	316.7
Contingent convertible subordinated bonds		3	1 200.0	920.0
Dividends attributable to BPI shareholders		4	-	-
BFA dividends attributable to minority interests		5	(53.8)	(44.4)
	[Σ 1 to 5]	6	3 148.8	3 114.2
Exclusion of:				
Actuarial deviations from pension liabilities without impact in core tier I		7	69.5	74.9
Fair value reserve in bonds, net of deferred taxes[1]		8	490.4	319.0
Positive fair value reserve in equities[2]		9	(23.6)	(17.0)
Revaluation reserves of fixed assets included in tier II		10	(8.5)	(8.5)
Other adjustments		11	(3.4)	0.9
	[Σ 7 to 11]	12	524.3	369.2
Inclusion of:				
Intangible fixed assets		13	(14.0)	(19.1)
Deferred adjustments resulting from the transition to IAS / IFRS[3]		14	24.7	12.4
	[Σ 13 to 14]	15	10.7	(6.8)
Core tier I	[= 6 + 12 + 15]	16	**3 683.8**	**3 476.6**
Preference shares		17	51.3	51.3
Deduction of participating interests in credit institutions and insurance companies		18	(91.4)	(102.1)
Basis own funds	[= 16 + 17 + 18]	19	**3 643.7**	**3 425.9**
Complementary own funds		20	**30.9**	**(23.2)**
of which, complementary own funds before deductions		21	125.5	88.1
of which, deduction of participating interests in credit institutions and insurance companies		22	(91.4)	(102.1)
of which, other deductions		23	(3.2)	(9.2)
Total own funds	[= 19 + 20]	24	**3 674.6**	**3 402.6**
Risk-weighted assets		25	**24 511.8**	**21 016.0**
Core tier I ratio	[= 16 / 25]	26	**15.0%**	**16.5%**
Tier I ratio	[= (19 + 20 if 20 < 0) / 25]	27	14.9%	16.2%
Own funds requirements ratio	[= 24 / 25]	28	15.0%	16.2%

Table 22

Note: The Core capital, of 3 476.6 M.€ at the end of 2013, comprises shareholders' equity and minority interests (excluding preference shares) and the contingent convertible subordinated bonds (920 M.€) subscribed by the State under the Recapitalisation Plan, to which the following adjustments are made:
- addition of unrealised losses on bonds available for sale (319 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 (75 M.€).

1) Effective from October 2008, through Bank of Portugal Notice 6 / 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 the regulatory own funds. Similarly, the unrealised gains on bonds available for sale (recorded in the fair value reserve) are excluded from the regulatory own funds.
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 (in 2013 the amount added to complementary own funds was 7.6 M.€, corresponding to 45% of 17 M.€).
3) The impacts of the transition to IAS / IFRS are being recognised in own funds until 2014, including.

EBA'S RECAPITALISATION EXERCISE AND BPI'S RECAPITALISATION PLAN

European Banking Authority Recommendation of December 2011 (in force until 22 July 2013) and result of the EBA's recapitalisation exercise
Banco BPI was one of the 71 European banks subjected to the recapitalisation exercise proposed by the European Banking Authority (EBA), the results of which were announced in December 2011. The exercise was designed to assess the capital needs of European Union banks so that they can attain a minimum core tier 1 capital ratio of 9% with effect from 30 June 2012, including a temporary and exceptional capital buffer that reflects the valuation of the exposure to sovereign debt at market prices ruling on 30 September 2011.

In the case of BPI, a need to increase capital by 1 389 M.€ was identified, resulting almost entirely from the exposure to sovereign debt – including the revaluation of interest-rate hedging derivatives – as at 30 September 2011 (1 359 M.€), namely Portuguese sovereign debt (989 M.€, of which 708 M.€ refers to bonds held in the portfolio and 281 M.€ relating to loans advanced to Local Authorities). Of the shortfall identified, 175 M.€ referring to the exposure to Greek sovereign debt was already addressed in 2011 given that BPI had recognised in its results impairment losses from this exposure. Hence, the temporary capital increase prescribed for BPI was 1 184 M.€ (versus the 1 359 M.€ initially identified).

BPI's Recapitalisation Plan and redemption of CoCo
In 2012, Banco BPI executed the Recapitalisation Plan which resulted in raising its core tier I capital by 1.5 thousand M.€ and which entailed:

- the issue of 1.5 thousand M.€ of core tier I capital instruments (contingent convertible subordinated bonds) subscribed by the Portuguese State on 29 June 2012. This amount was reduced in August to 1.3 thousand M.€ by using the proceeds from the capital increase referred to in the following indent in the repurchase from the Portuguese State of the aforesaid instruments, as envisaged in the Recapitalisation Plan;
- the 200 M.€ capital increase reserved for shareholders, concluded on 10 August.

In the space of one and a half years, up till December 2013, BPI has realised the redemption of 580 M.€ of CoCo, reducing the amount in the State's hands from the initial 1500 M.€ to 920 M.€ at the end of 2013. Still in the fourth quarter of 2013, Banco BPI's Board of Directors applied to the Bank of Portugal and the European Banking Authority (EBA) for approval of a request to redeem a further 588 M.€ of CoCo to be submitted to the Ministry of Finance.

In the context of the abovementioned authorisation request, BPI concluded in the 1st quarter of 2014 the repayment of 500 M.€, reducing the amount of CoCo belonging to the State to 420 M.€, with the result that the total accumulated redemption stands at 1 080 M.€.

New capital preservation rules of the EBA's Recommendation published on 22 July 2013
On 22 July, following the entry into force of the new capital rules laid down by the CRD IV / CRR, EBA made public the decision to substitute its 2011 recommendation by new capital preservation measures. The new rules envisage amongst other aspects that banks maintain the amount of capital in euro needed for compliance with the capital requirements prescribed by the EBA's previous recommendation with reference to 30 June 2012, or a lower figure, providing they meet a Core T1 ratio of 7.0% in accordance with the fully implemented CRD IV rules (that is, without benefiting from the phasing-in period contemplated in those rules).

At 31 December 2013, Banco BPI's core tier I capital ratio calculated under the fully implemented CRD IV / CRR rules was 11.2%, which corresponded to a capital surplus of 713 M.€ relative to the minimum core tier I ratio of 4.5% and to the own funds' conservation buffer of 2.5% (7% ratio).

Core tier I ratio according to the Capital Requirements Directive IV (CRD IV) / Capital Requirements Regulation (CRR)
At the end of 2013 Banco BPI's **core tier I capital ratio** calculated in accordance with the CRD IV / CRR fully implemented rules was situated at 11.2%, which represents a surplus capital of 713 M.€ relative to the minimum core tier I ratio of 4.5% and to the 2.5% own funds' conservation buffer (7% ratio).

The core tier I ratio in December 2013 calculated using the CRD IV / CRR rules applicable in 2014 stood at 15.6%, which corresponds to a surplus of capital of 1 468 M.€ relative to the 8% reference figure prescribed by the ECB for the evaluation to be carried out at banks as preparation for assuming the responsibility for bank supervision within the ambit of the sole supervisory mechanism.

The **pro forma core tier I ratio** in December 2013 taking into account already the redemption of 500 M.€ of CoCo concluded in the 1st quarter of 2014, stands at:

- 8.3% using the CRD IV / CRR fully implemented rules, which corresponds to a surplus capital of 213 M.€ compared to the 7% minimum ratio;

- 13.1% according to the CRD IV / CRR rules applicable in 2014, which corresponds to a capital surplus of 968 M.€ relative to the ECB's 8% referential.

Leverage and liquidity ratios (CRD IV / CRR)
The **leverage ratio** at 31 December 2013 was situated at 5.5% according to the CRD IV fully implemented rules (the minimum ratio is in calibration, and is expected to be situated at 3%). Considering the CoCo redemption of 500 M.€ realised in the 1st quarter of 2014, the pro forma leverage ratio in December 2013 stands at 4.1%.

The **Liquidity coverage ratio (LCR)** and the **Net stable funding ratio (NSFR)** stand at 350% and 113%, respectively, according to the CRD IV fully implemented rules whose minimum levels will be 100%.

Core tier I ratio
At 31 December 2013

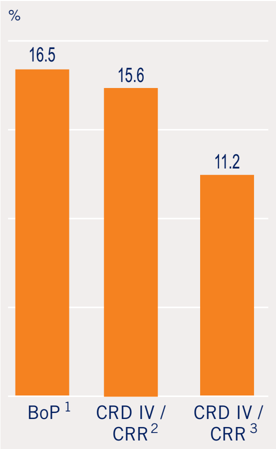


Chart 37

Own funds requirements[4]
By source

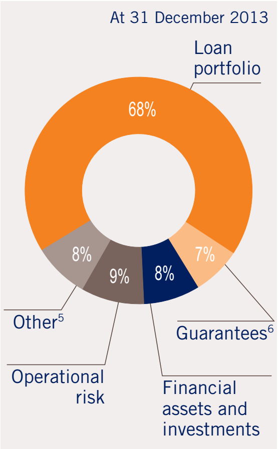


Chart 38

1) According to Bank of Portugal Instruction 23 / 2011.
2) CRD IV / CRR – rules for 2014.
3) CRD IV / CRR – Fully implemented.
4) According to Bank of Portugal rules.
5) Liquid assets, tangible fixed assets, other assets, derivatives and market risk.
6) Includes facilities.

RECALCULATION OF THE TEMPORARY CAPITAL BUFFER FOR SOVEREIGN DEBT EXPOSURE

If, in the framework of the European Banking Authority's previous Recommendation of December 2011 in force up till 22 July 2013, a recalculation had been made of the capital buffer for sovereign debt with reference to the positions held and the market price of those assets at the end of 2013, such calculation would have resulted in a temporary capital buffer of 406 M.€.

This figure (406 M.€) is 777 M.€ less than the EBA's temporary buffer, which would therefore permit, in addition to the 580 M.€ redemption of CoCo realised until the end of December 2013, the immediate redemption of a further 777 M.€, thus reducing the amount held by the State to 143 M.€.

Recalculation of the temporary capital buffer for sovereign debt exposure

Amounts in M.€

			30 Sep. 11				31 Dec. 13			
			Nominal value	EBA temporary capital buffer[1]			Nominal value	Recalculation of the temporary capital buffer[1]		
				Securities	Derivatives	Total		Securities	Derivatives	Total
Sovereign debt (after taxes)										
Portugal		*1*	2 766	(582)	(125)	(708)	5 199	(86)	(148)	(235)
Of which:										
Treasury bonds			2 732	(582)	(125)	(708)	1 704	(92)	(148)	(240)
Treasury bills			34	(0)		(0)	3 495	6		6
Italy		*2*	975	(66)	(73)	(139)	975	37	(93)	(55)
Ireland		*3*	355	(37)	(19)	(56)				
Greece		*4*	480	(136)	(39)	(175)				
	[Σ 1 to 4]	*5*	**4 576**	**(822)**	**(256)**	**(1 078)**	**6 174**	**(49)**	**(241)**	**(290)**
Local governments		*6*	1 058			(281)	772[2]			(117)
Capital buffer for sovereign risk exposures	*[= 5 + 6]*	*7*				**(1 359)**				**(406)**
Amount recognised in results (Greece)		*8*				175				
Temporary capital needs	*[= 7 + 8]*	*9*				**(1 184)**				**(406)**

Table 23

1) Includes the impact of interest rate risk hedging.
2) Exposures as at 31 December 2013 and applying average haircuts per maturity estimated by BPI based on 31 December 2013 market prices.

RESULTS OF DOMESTIC OPERATIONS

In 2013, the **BPI Group's domestic operations** posted a net loss of 28.3 M.€.

Domestic commercial banking business, to which 97% of the average capital employed in domestic operations was allocated, contributed negatively to the result with 45.4 M.€[1].

The negative result derived from commercial banking was only partially offset by the positive contributions from BPI's **investment banking** business of 7.8 M.€[1], which corresponded to a ROE of 21.7%, and from **participating interests** of 9.3 M.€[1].

Domestic activity net profit

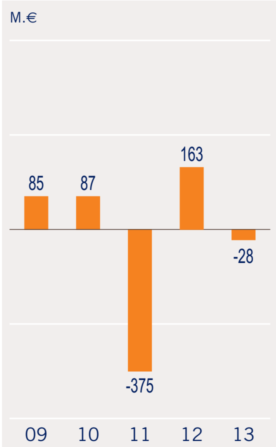


Chart 39

Domestic activity ROE

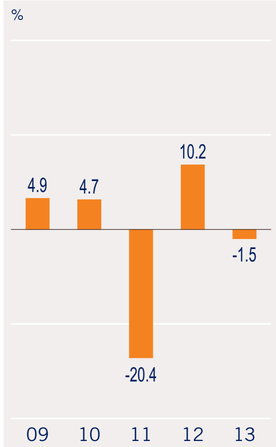


Chart 40

ROE by business area in 2013

Amounts in M.€

			Domestic activity			
			Commercial banking	Investment banking	Participating interests and other	Total
Average risk weighted assets		1	**19 789.5**	**378.1**	**159.3**	**20 326.8**
Capital allocated		2	1 753.4	79.9	99.4	1 932.7
Capital reallocation		3	128.2	(43.9)	(84.2)	-
Adjusted Shareholders' equity for ROE calculation	*[= 2 + 3]*	4	**1 881.6**	**35.9**	**15.1**	**1 932.7**
Net profit		5	(46.6)	8.2	10.1	(28.3)
Adjustment to profit due to capital reallocation		6	1.2	(0.4)	(0.8)	-
Net profit (adjusted)	*[= 5 + 6]*	7	**(45.4)**	**7.8**	**9.3**	**(28.3)**
ROE	*[= 7 / 4]*	8	**(2.4%)**	**21.7%**	**61.2%**	**(1.5%)**

Calculation of ROE by business areas

Table 24

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

1) Contribution adjusted for the reallocation of capital between the areas comprising domestic operations.

Domestic activity income statement

Amounts in M.€

			2012	2013	Δ%
Net interest income (narrow sense)		*1*	368.7	254.4	(31.0%)
Other income[1]		*2*	32.6	30.0	(7.9%)
Net interest income	*[= 1 + 2]*	*3*	**401.3**	**284.4**	**(29.1%)**
Technical result from insurance contracts		*4*	23.0	24.8	7.6%
Commissions and other fees (net)		*5*	281.9	256.5	(9.0%)
Profits from financial operations		*6*	325.7	171.6	(47.3%)
Operating income and charges		*7*	(13.7)	(21.6)	(57.9%)
Net operating revenue	*[= Σ 3 to 7]*	*8*	**1 018.2**	**715.7**	**(29.7%)**
Personnel costs, excluding non-recurring		*9*	318.5	302.5	(5.0%)
Outside supplies and services		*10*	179.9	177.9	(1.1%)
Depreciation of fixed assets		*11*	20.4	18.1	(11.3%)
Operating costs, excluding non-recurring personnel costs	*[= Σ 9 to 11]*	*12*	518.8	498.5	(3.9%)
Non-recurring personnel costs / (gains)		*13*	(8.5)	20.0	335.3%
Operating costs	*[= 12 + 13]*	*14*	**510.3**	**518.5**	**1.6%**
Operating profit	*[= 8 - 14]*	*15*	**507.9**	**197.2**	**(61.2%)**
Recovery of loans written-off		*16*	12.8	15.3	19.4%
Loan provisions and impairments		*17*	254.4	264.3	3.9%
Other impairments and provisions		*18*	33.7	(14.2)	(142.2%)
Profits before taxes	*[= 15 + 16 - 17 - 18]*	*19*	**232.6**	**(37.5)**	**(116.1%)**
Corporate income tax		*20*	81.9	5.0	(93.9%)
Equity-accounted results of subsidiaries		*21*	13.6	16.3	20.3%
Minority interests		*22*	1.7	2.1	26.6%
Net profit	*[= 19 - 20 + 21 - 22]*	*23*	**162.6**	**(28.3)**	**(117.4%)**
Cash flow after taxation	*[= 23 + 11 + 17 + 18]*	*24*	**471.1**	**239.8**	**(49.1%)**

Table 25

1) Unit linked gross margin, income from securities (variable yield) and commissions related to deferred cost (net).

BALANCE SHEET

The domestic operations balance sheet mainly reflects the commercial banking business carried on in Portugal. At the end of 2013, Customer loans represent 67% of assets while Customer resources constitute the chief source of balance sheet funding (62% of assets).

Balance-sheet Customer resources (excluding capitalisation insurance) funded 86% of loans[1]. The Customer resources aggregate in the balance sheet (excluding capitalisation insurance), medium and long-term debt and shareholders' equity represented 108% of Customer loans[1].

The Bank holds a portfolio of available-for-sale financial assets totalling 7.4 th.M.€. This portfolio essentially corresponds to short-term Portuguese public-debt bonds (3.5 th.M.€), Portuguese treasury bonds, (1.7 th.M.€) Italian public-debt bonds (1.1 th.M.€) and corporate bonds (0.8 th.M.€).

At the end of 2013, the Bank had 4000 M.€ of European Central Bank resources raised from two extraordinary liquidity-provision operations realised by the ECB in December 2011 and February 2012. That figure is close to the amount of the treasury bills portfolio held by the Bank.

At the end of 2013, the Bank had assets eligible for ECB funding of 11.1 th.M.€ (figures net of price appreciation and haircuts). Taking into account the portfolio's utilisations on that date amounting to 5.6 th.M.€ – in repo operations for the collateralisation of various liabilities and for funding from the ECB – the Bank had available 5.5 th.M.€ of assets capable of being transformed into additional funding from the ECB, which represented 15% of total assets deployed in domestic operations.

In the next few years, the Bank has minimal net resource needs for medium and long-term debt refinancing, taking into consideration maturities as well as the redemptions of bonds (excluding treasury bills) held in the available-for-sale assets portfolio. The net debt refinancing needs from 2014 till 2018, net of bond redemptions to take place in that period, total 1.1 th.M.€.

Additionally, BPI proposes redeeming by the end of 2014 all of the contingent convertible subordinated bonds (CoCo), currently totalling 420 M.€[2]. It should also be noted that in 2019 there will be a significant freeing up of liquidity through the redemption of 2.7 thousand M.€ of medium and long-term bonds held by BPI in its portfolio and which mature in that year.

Domestic activity balance sheet structure in 2013

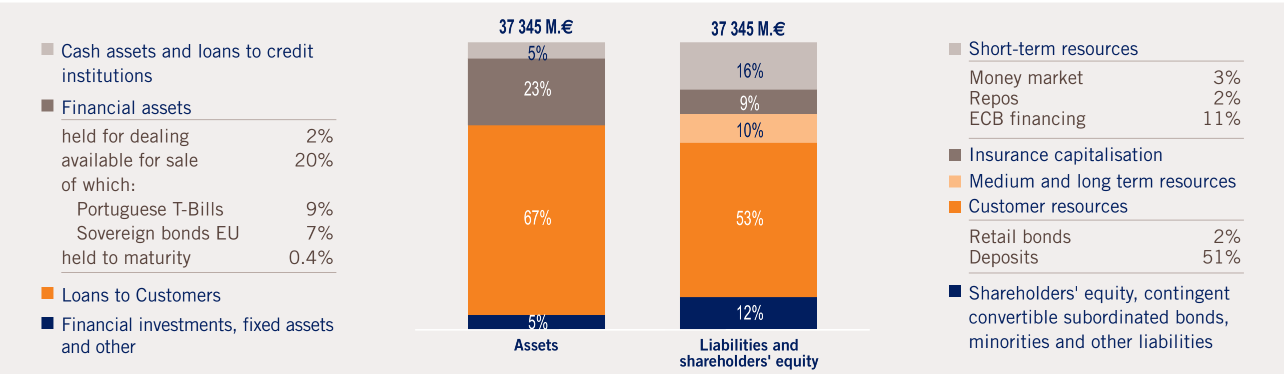


Chart 41

1) Excluding the securitised loans portfolio of BPI Vida e Pensões, the Group subsidiary which manages capitalisation insurance.
2) After the 500 M.€ redemption effected in March 2014.

Customer loans

The Customer loans portfolio relating to domestic operations contracted by 1 370 M.€ (-5.2%) in 2013.

The portfolio's decrease reflects the shrinking demand triggered by the significant contraction in investment and in public and private consumption in the domestic market. Against this backdrop, the Bank continued to adhere to stringent criteria in the granting of credit.

Loans to medium-sized and large companies in Portugal contracted by 4.9% (-298 M.€), considering the aggregate of the Corporate Banking loan portfolio and the securitised loan portfolio of BPI Vida e Pensões which essentially corresponds to bonds and commercial paper issued by large Portuguese corporations.

Loans to Customers
2009 to 2013

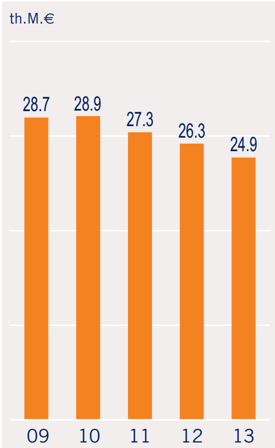


Chart 42

Loan portfolio
Breakdown in 2013

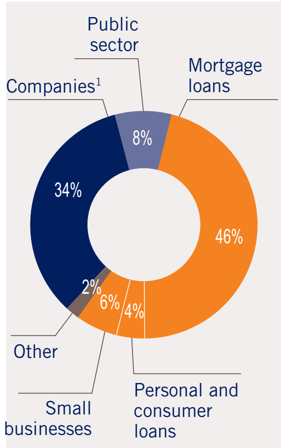


Chart 43

Customer loans portfolio

Amounts in M.€

		2012	2013	Δ%
Corporate banking				
Large companies	1	2 503.7	1 702.8	(32.0%)
Medium-sized companies	2	2 798.6	2 347.0	(16.1%)
[= Σ 1 to 2]	3	**5 302.2**	**4 049.9**	**(23.6%)**
Project Finance – Portugal	4	**1 201.3**	**1 158.4**	**(3.6%)**
Madrid branch				
Project Finance	5	749.6	739.5	(1.3%)
Corporates	6	1 000.5	815.6	(18.5%)
[= Σ 5 to 6]	7	**1 750.1**	**1 555.1**	**(11.1%)**
Public Sector				
Central Administration	8	115.1	104.6	(9.1%)
Regional and local administrations	9	916.5	771.4	(15.8%)
State Corporate Sector – in the budget perimeter	10	189.8	192.6	1.5%
State Corporate Sector – outside the budget perimeter	11	909.9	863.7	(5.1%)
Other institutional	12	76.7	46.9	(38.8%)
[= Σ 8 to 12]	13	**2 208.0**	**1 979.1**	**(10.4%)**
Individuals and Small Businesses Banking				
Mortgage loans to individuals	14	11 739.0	11 386.3	(3.0%)
Consumer credit / other purposes	15	677.7	601.1	(11.3%)
Credit cards	16	162.3	165.0	1.7%
Car financing	17	230.3	164.3	(28.7%)
Small businesses	18	1 576.8	1 411.3	(10.5%)
[= Σ 14 to 18]	19	**14 386.0**	**13 728.0**	**(4.6%)**
BPI Vida e Pensões[2]	20	**771.1**	**1 725.1**	**123.7%**
Loans in arrears net of impairments	21	**151.9**	**82.8**	**(45.5%)**
Other	22	**492.5**	**615.0**	**24.9%**
Total *[= 3 + 4 + 7 + 13 + Σ 19 to 22]*	23	**26 263.2**	**24 893.5**	**(5.2%)**
Note:				
Guarantees	24	2 072.7	1 879.1	(9.3%)

Table 26

1) Includes BPI Vida e Pensões securitised loans portfolio.
2) Securitised loans held by BPI Vida e Pensões (fully consolidated) and which is allocated to cover the capitalisation insurance issued by that Group subsidiary.

The Madrid branch's loan portfolio contracted 11.1% (-195 M.€), while loans to the public sector and to the State business sector registered a year-on-year decline of 10.4% (-229 M.€).

Loans to individuals and small businesses were down 4.6% (-658 M.€), with decreases of 3.0% (-353 M.€) in mortgage loans and 10.5% (-165 M.€) in the small businesses segment.

Customer resources

Customer deposits grew 2.0% (+377 M.€) year-on-year, to 18.9 th.M.€ at the close of 2013.

The capitalisation insurance under BPI Vida e Pensões' management grew by 17.7% (+482 M.€), reversing the downward trend observed until the end of 2012, while off-balance sheet resources (unit trust funds, PPR and PPA and financial assets under BPI Suisse's management) increased by 7.7% (+224 M.€).

Total Customer resources registered 1.1% growth.

Customer resources
2009 to 2013

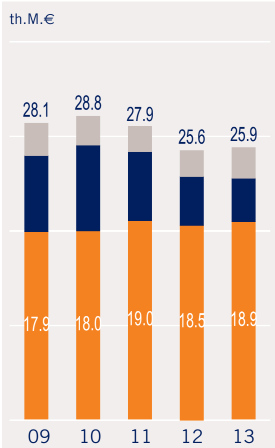


Chart 44

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

Customer resources
Breakdown in 2013

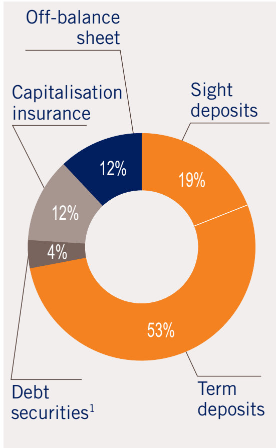


Chart 45

Total Customer resources

Amounts in M.€

			2012	2013	Δ%
On-balance sheet resources					
Deposits					
Sight deposits		1	5 011.2	5 029.9	0.4%
Term and savings deposits		2	13 519.0	13 877.0	2.6%
	[= 1 + 2]	3	18 530.2	18 906.9	2.0%
Bonds placed with Customers[1]		4	1 941.7	912.0	(53.0%)
Subtotal	[= 3 + 4]	5	**20 471.9**	**19 818.9**	**(3.2%)**
Insurance capitalisation and PPR (BPI Vida e Pensões)		6	2 723.7	3 205.8	17.7%
On-balance sheet resources	[= 5 + 6]	7	**23 195.5**	**23 024.6**	**(0.7%)**
Unit trust funds, PPR and PPA[2]		8	2 913.3	3 137.5	7.7%
Off-balance sheet resources	[= 8]	9	**2 913.3**	**3 137.5**	**7.7%**
Corrections for double counting[3]		10	(463.3)	(238.6)	-
Total Customer resources[4]	[= 7 + 9 + 10]	11	**25 645.6**	**25 923.5**	**1.1%**
Note:					
Corporate bonds issues placed by BPI		12	1 127.6	1 194.4	

Table 27

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 amounted to 8 878 M.€ at the end of 2013. This portfolio includes in addition to available-for-sale financial assets, those held for trading, as well as the held-to-maturity investments and participating interests.

The available-for-sale financial assets portfolio was valued at 7 408 M.€ at market values, which corresponds to 20% of the total assets employed in domestic operations.

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

- total disposal by the end of January 2013 of the portfolio of Portuguese Treasury Bonds bought in 2012 (582 M.€, market value in December 2012), generating pre-tax gains of 170.4 M.€ in 2012 and 129.3 M.€ in the 1st quarter of 2013;
- total sale of Irish public debt during the 4th quarter (372 M.€, market value in December 2012);
- sales of corporate bonds.

It is worth mentioning the price appreciation of Portuguese and Italian public-debt securities in 2013, a consequence of the lower remuneration demanded by investors on the secondary market and which translated into a decrease in the unrealised losses on the securities held of 189 M.€ (127 M.€ decrease in Portuguese Treasury Bonds and 62 M.€ in Italian public debt).

At the end of 2013, the fair value reserve (net of deferred taxes) relating to available-for-sale financial assets was a negative 305 M.€.

Financial assets available-for-sale portfolio

Amounts in M.€

			31 Dec. 12					31 Dec. 13				
			Acquisition cost	Book value	Fair value reserve, net of deferred taxes			Acquisition cost	Book value	Fair value reserve, net of deferred taxes		
					Securi-ties	Deriva-tives	Total			Securi-ties	Deriva-tives	Total
Sovereign debt												
Portugal		*1*	5 470.4	5 493.7	(57.4)	(203.4)	(260.8)	5 237.9	5 163.3	(86.1)	(148.4)	(234.5)
Of which:												
Treasury bonds – bought before 31 Dec. 11			1 806.4	1 589.5	(163.5)	(203.4)	(366.9)	1 804.9	1 676.4	(91.8)	(148.4)	(240.1)
Treasury bonds – bought after 31 Dec. 11			423.0	581.9	92.3		92.3	4.2	4.4	0.1		0.1
Treasury bills			3 241.0	3 322.3	13.8		13.8	3 428.8	3 482.5	5.6		5.6
Italy		*2*	1 003.5	1 020.1	8.7	(125.7)	(117.0)	1 003.5	1 057.9	37.4	(92.5)	(55.1)
Ireland		*3*	357.3	371.9	5.5	(36.5)	(30.9)					
	[= Σ 1 to 3]	*4*	**6 831.3**	**6 885.7**	**(43.2)**	**(365.5)**	**(408.7)**	**6 241.5**	**6 221.2**	**(48.7)**	**(240.9)**	**(289.6)**
Corporate bonds		*5*	1 100.0	1 135.3	6.1	(87.7)	(81.6)	746.9	794.1	16.3	(45.7)	(29.4)
Equities		*6*	126.9	93.2	16.5		16.5	131.1	101.7	14.9		14.9
Other		*7*	289.0	279.1	2.3		2.3	309.9	291.3	(1.1)		(1.1)
Total	*[= Σ 4 to 7]*	*8*	**8 347.2**	**8 393.2**	**(18.3)**	**(453.3)**	**(471.6)**	**7 429.4**	**7 408.3**	**(18.5)**	**(286.6)**	**(305.2)**

Table 28

1) The balance sheet caption "Financial assets held for dealing and at fair value through the income statement" includes the following securities:
- equities (224 M.€) associated with the trading activity through the management of an arbitrage portfolio realised at Banco Português de Investimento and in the participation and management of BPI Alternative Fund: Iberian Equities Long Short (Lux.). At the end of 2013, that fund had an allocated capital of 89 M.€, of which 78.8% was held by BPI, with the result that it was consolidated in full;
- BPI Vida e Pensões' securities portfolio (686 M.€) associated with the portfolio of capitalisation insurance commercialised by that subsidiary;
- derivative instruments at fair value (223 M.€). These essentially correspond to interest rate swaps and options incorporated into structured issues, classified as "embedded derivatives" and which for accounting purposes are separated from the respective base contract.

INCOME

Net operating revenue from domestic operations fell by 30% (-302.5 M.€) in 2013, reflecting the 116.8 M.€ decrease (-29%) in net interest income, the 25.4 M.€ decrease (-9%) in commissions and the lower profits from financial operations (down 154.1 M.€).

Net interest income

Net interest income was down 29.1% in 2013, while narrow net interest income, which is the important component of net interest income, recorded a drop of 31.0% (-114.3 M.€), in large part (104 M.€) explained by the following two non-recurring factors:

- the 29.1 M.€ rise in the interest cost of the contingent convertible subordinated bonds (CoCo)[1] issued at the end of June 2012, from 55.9 M.€ in 2012 to 84.9 M.€ in 2013.
- the decline in interest income – from 76 M.€ in 2012 to 1.5 M.€ in 2013 – earned on the portfolio of Portuguese treasury bonds acquired in 2012 with an average purchase yield of around 12%. The disposal of the aforesaid portfolio occurred during the 4th quarter of 2012 and in January 2013.

Hence, these two factors explain the 104 M.€ decrease in narrow net interest income.

It should also be noted that the Treasury Bills portfolio generated interest income of 78 M.€ in 2013 (79 M.€ in 2012), while the contribution to the margin taking into consideration the cost of funding obtained from the ECB, was 59 M.€ (61 M.€ in 2012). This portfolio's reinforcement, the average balance of which increased from 2.1 th.M.€ in 2012 to 3.5 th.M.€ in 2013, permitted compensating the lower average remuneration stemming from the fall in Portuguese public-debt yields on the primary and secondary markets.

At the end of 2013, this portfolio totalled 3.5 th.M.€ while the average purchase yield was 1.7%.

Trend in net interest income

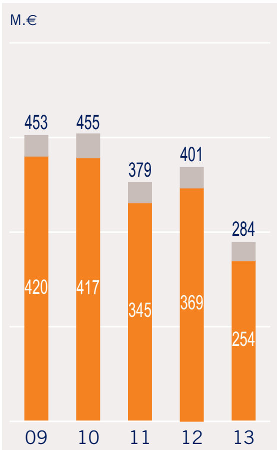


Chart 46

- Other income
- Net interest income (narrow sense)

Loans and deposits spread
Quarterly average interest rates

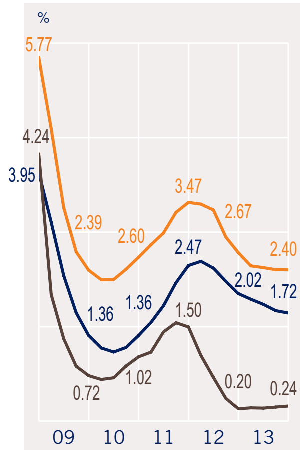


Chart 47

- Loans
- Deposits
- Euribor 3-months

1) After the 500 M.€ redemption effected in March 2014, the amount of CoCo held by the State amounts to 420 M.€. The CoCo current remuneration corresponds to an effective annual rate of 8.75%, increasing by 0.25% in June 2014 to 9.0%, and by 0.5% in each one of the two following years.

Average interest rates on remunerated assets and liabilities

Amounts in M.€

			2012			2013	
		Average balance	Interest	Average interest rate	Average balance	Interest	Average interest rate
Loans to Customers							
Companies, institutionals and project finance	*1*	10 929.0	407.8	3.7%	9 469.2	314.6	3.3%
Mortgage loans	*2*	11 442.0	221.9	1.9%	11 159.5	141.8	1.3%
Other loans to individuals	*3*	1 106.8	78.0	7.1%	946.4	68.1	7.2%
Loans to small businesses	*4*	1 757.7	74.6	4.2%	1 485.5	59.7	4.0%
Other	*5*	832.4	3.2	0.4%	914.6	15.8	1.7%
[= Σ 1 to 5]	*6*	**26 068.0**	**785.5**	**3.0%**	**23 975.1**	**600.0**	**2.5%**
Customer resources[1]	*7*	20 762.3	473.3	2.3%	19 645.6	338.4	1.7%
Other income and costs	*8*		56.5			(7.1)	
Narrow net interest income *[= 6 - 7 + 8]*	*9*		**368.7**			**254.4**	
Interest-earning assets[2]	*10*	34 267.2			32 471.4		
Interest-bearing liabilities[2]	*11*	34 921.1			32 418.4		
Unitary interest margin *[= 9 / 10]*	*12*			**1.08%**			**0.78%**
Intermediation margin (= interest rate on loans – interest rate on Customer resources) *[= 6 - 7]*	*13*			0.73%			0.78%
Net interest income as % of ATA	*14*			0.93%			0.66%
Euribor 3 months (annual average)	*15*			0.57%			0.22%
Euribor 3 months (3 month moving average)	*16*			0.73%			0.21%

Table 29

Intermediation margin

The intermediation margin – defined here as the narrow net interest income before considering the cost of the CoCo and excluding the contribution of the treasury bonds portfolio acquired in 2012 and treasury bills –, shrank by 8.1 M.€ (-2.8%).

In this respect, we refer to the following explanatory factors:

With positive impact:

- the smaller loan portfolio[3], whose average balance contracted by 2.1 th.M.€ (-8%) in 2013. Considering the contribution to net interest income computed based on the spreads relative to the benchmarks on the respective repricing dates, the volume effect of the smaller portfolio resulted in a negative impact on net interest income of 42 M.€;
- the contraction in the average margin on sight deposits, from 0.49 p.p. in 2012 to 0.16 p.p. in 2013, a direct consequence of the fall in market interest rates.

With positive impact and which offset to a large extent the abovementioned negative impacts:

- the adjustment[4] of loan spreads that resulted in an improvement in the portfolio's average contractual spread[5] of 0.13 p.p. to 2.10%. The average spread in the corporate, project finance and public-sector segments climbed by 0.24 p.p. to 2.9% and in the small businesses segment improved by 0.33 p.p. to 3.7%. It is worth mentioning the slowdown in the pace of the spreads' adjustment in 2013. In the case of companies with the best risk profile there was a decrease in bank loan spreads in the second half of the year. This decline mirrors these companies' improved conditions for accessing funding on the capital market and the keener competition on the supply side relative to the weak demand for credit. In the mortgage loans segment the improvement in the average spread was 0.08 p.p. to 0.95%.

1) Deposits, checks, orders payable and other Customer resources.
2) BPI Vida e Pensões' remunerated assets and liabilities and corresponding interest income and expense were excluded from the table for the reason that the interest income and expense earned on capitalisation insurance is essentially recorded in the captions "Gross margin on unit links" and "Technical results of insurance contracts".
3) Does not include the securitised loan portfolio of BPI Vida e Pensões since the corresponding interest income is considered in the margin obtained from capitalisation insurance products which is essentially recorded in the captions "Gross margin on unit links" and "Technical results of insurance contracts".
4) This adjustment is attributable to the application of the ruling spreads on the renewal of the portfolio's loan operations in the companies segment, and in new operations contracted for all the other segments.
5) Spreads relative to benchmarks, on the respective repricing dates.

In the meantime, the annual average remuneration on time deposits remained virtually unchanged in 2013 when compared with the preceding year at 1.84 p.p. above Euribor (negative margin). In terms of quarterly behaviour, the margin (negative) on time deposits started to improve in the second half of 2013 to be situated at 1.75% in the 4th quarter, and which is preceded by a period of stability in the order of 1.9% since the end of the 1st quarter of 2012 up till 2nd quarter of 2013.

The unit intermediation margin was situated at 0.78% in 2013 (+ 0.05 p.p. relative to 2012).

Commissions

Commissions and other net fees declined by 9% (-25.4 M.€) in 2013. This fall is mainly explained by the 24.4 M.€ decrease in primary and capital market commissions (19.1 M.€ in Commercial Banking and 5.2 M.€ in Investment Banking) given that these in the previous year (2012) included commissions earned by the bank from the mounting and placing of a large volume of corporate bond issues (around 1.1 th.M.€) with its retail Customers.

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

		2012	2013	Δ%
Commercial banking				
Cards	*1*	63.7	61.3	(3.8%)
Loans and guarantees	*2*	42.9	36.8	(14.2%)
Intermediation of insurance products	*3*	39.0	39.5	1.4%
Primary and capital market operations	*4*	36.0	16.9	(53.1%)
Deposits and related services	*5*	24.9	23.0	(7.6%)
Securitised loans	*6*	9.1	8.6	(5.5%)
Banking services	*7*	4.2	4.9	17.7%
Other	*8*	3.8	6.8	80.4%
[= Σ 1 to 8]	*9*	**223.5**	**197.8**	**(11.5%)**
Asset management	*10*	**39.8**	**42.3**	**6.2%**
Investment Banking				
Brokerage	*11*	9.2	9.9	7.3%
Corporate finance	*12*	2.1	3.4	66.4%
Primary market operations	*13*	5.4	0.2	(96.2%)
Other	*14*	1.8	2.8	51.7%
[= Σ 11 to 14]	*15*	**18.6**	**16.3**	**(12.1%)**
Total *[= 9 + 10 + 15]*	*16*	**281.9**	**256.5**	**(9.0%)**

Table 30

Asset-management commissions climbed 6.2% (+2.5 M.€), which reflects a positive trend in the volume of assets under management since the beginning of 2012.

Profits from financial operations

Profits from financial operations were 171.6 M.€ in 2013, benefiting from gains of 129 M.€ realised in the 1st quarter from the sale of Portuguese Treasury Bonds that had been acquired in 2012.

Profits from financial operations fell by 154.1 M.€ when compared with the figure of 325.7 M.€ earned in the preceding year. In 2012, the profits from financial operations included (i) gains of 170.3 M.€ realised on the sale of Portuguese Treasury Bonds and (ii) net gains of 122.0 M.€ relating to liability-repurchase operations and gains on bonds.

Profits from financial operations Amounts in M.€

		2012	2013	Δ M.€
Operations at fair value				
Equities[1]	*1*	8.1	8.9	+0.8
Interest rate	*2*	10.5	4.1	(6.4)
Structures products[2]	*3*	1.1	0.6	(0.5)
Hedge funds	*4*	0.3	0.8	+0.4
Currency[3]	*5*	8.1	7.8	(0.3)
Repurchase of liabilities and other gains in bonds	*6*	125.5	13.0	(112.5)
[= Σ 1 to 6]	*7*	**153.6**	**35.1**	**(118.5)**
Available for sale assets				
Bonds	*8*	173.5	127.0	(46.4)
Equities	*9*	0.4	5.3	+4.8
Other	*10*	(4.9)	0.0	+4.9
[= Σ 8 to 10]	*11*	**169.0**	**132.3**	**(36.7)**
Subtotal *[= 7 + 11]*	*12*	**322.6**	**167.4**	**(155.2)**
Financial income from pensions[4]				
Expected pension funds return	*13*	48.9	46.7	(2.2)
Interest cost	*14*	(45.8)	(42.5)	+3.3
[= 13 + 14]	*15*	**3.1**	**4.2**	**+1.1**
Total *[= 12 + 15]*	*16*	**325.7**	**171.6**	**(154.1)**

Table 31

1) Gains associated with a portfolio of long-short equities and an arbitrage portfolio of PSI-20 futures.
2) 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.
3) Currency gains resulting from the exchange rate margin on operations effected by the commercial network with Customers.
4) The financial net income with pensions corresponds to the difference between the pension funds' expected income and the interest cost of the liabilities. The financial net income with pensions in 2012 and 2013 resulted from the existence of a funding surplus of the pension liabilities.

Other operating gains and losses

The caption "other operating gains / (losses)", with a negative figure of 21.6 M.€ in 2013, refers essentially to the cost items: contributions to the Deposit Guarantee Fund (-3.3 M.€), contributions to the Resolution Fund (-4.5 M.€), subscriptions and donations (-4.6 M.€) and taxes (-4.9 M.€).

Other operating gains and losses Amounts in M.€

		2012	2013	Δ M.€
Contributions to the deposit guarantee fund	*1*	(4.3)	(3.3)	+1.1
Annual contributions to the Resolution Fund	*2*	0.0	(4.5)	(4.5)
Subscriptions and donations	*3*	(3.9)	(4.6)	(0.7)
Taxes	*4*	(4.6)	(4.9)	(0.3)
Sale of own tangible assets (branch closure)	*5*	(0.2)	(3.3)	(3.1)
Other	*6*	(0.6)	(1.1)	(0.4)
Total *[= Σ 1 to 6]*	*7*	**(13.7)**	**(21.6)**	**(7.9)**

Table 32

OPERATING COSTS

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation – rose by 1.6% in 2013. This trend was influenced in part by non-recurring personnel costs of 20 M.€ in 2013 which compares with a non-recurring gain of 8.5 M.€[1] registered in the previous year:

The non-recurring costs in 2013 corresponded to:

- costs of 23.3 M.€ with early retirements;
- gains of 3.3 M.€ resulting from changes in the calculation of the death subsidy (Decree-Law 13 / 2013).

Operating costs excluding non-recurring costs, decreased by 3.9% (-20.3 M.€) in 2013, which translated the gradual implementation of rationalisation measures directed at the structure deployed in activity in Portugal. The average workforce employed in domestic operations declined by 3.8%, at the same time as 50 branches were closed in Portugal (29 in the 2nd quarter and 21 in the 4th quarter).

The indicator "operating costs as a percentage of net operating revenue" records an unfavourable trend – rising from 50.1% in 2012 to 72.4% in 2013-, essentially attributable to the contraction in the revenue base.

Excluding non-recurring impacts, whether on the cost or the income side, this indicator was situated at 86.5% in 2013.

Net operating revenue and operating costs

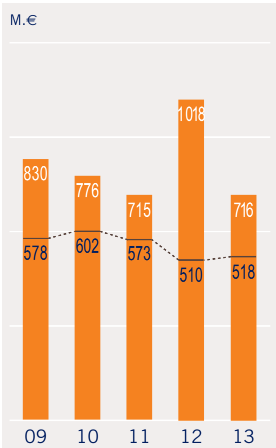


Chart 48

Net operating revenue
Operating costs

Personnel costs

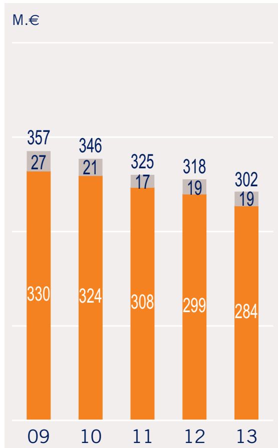


Chart 49

Variable remunerations
Fixed remunerations, social charges and pension costs

1) In 2012, the non-recurring net gain of 8.5 M.€ was due to (i) early-retirements costs of 30.2 M.€ and (ii) a gain of 38.7 M.€ resulting from changes in calculating the death subsidy (Decree Law 133 / 2012 of 27 June).

Operating costs — Amounts in M.€

		2012	2013	Δ%
Personnel costs, excluding non-recurring	1	318.5	302.5	(5.0%)
Outside supplies and services	2	179.9	177.9	(1.1%)
Operating costs before depreciation and amortisation [= 1 + 2]	3	**498.4**	**480.4**	**(3.6%)**
Depreciation of fixed assets	4	20.4	18.1	(11.3%)
Operating costs, excluding non-recurring personnel costs [= 3 + 4]	5	**518.8**	**498.5**	**(3.9%)**
Non-recurring personnel costs / (gains)	6	(8.5)	20.0	335.3%
Operating costs [= 5 + 6]	7	**510.3**	**518.5**	**1.6%**
Efficiency ratio[1]	8	50.1%	72.4%	
Efficiency ratio excl. non-recurring items[2]	9	71.0%	86.5%	

Table 33

Personnel costs

Personnel costs, excluding non-recurring costs and income, were down 5% (-16.0 M.€) in 2013, which resulted chiefly:

- from the reduction in the average staff headcount in domestic operations of 3.8%;
- from the zero growth in the fixed component of remuneration under the salary-scale review in Portugal defined in the Vertical Collective Employment Accord (Acordo Colectivo de Trabalho Vertical – ACTV) for the banking sector;
- from the 6.3 M.€ reduction in costs related to long-service awards, given that in 2012 non-recurring impacts of 8.9 M.€[3] were recognised.

The cost of 23.3 M.€ relating to early retirements recognised in the 2013 income statement refer to the departure of 22 Employees in the 4th quarter of 2013 and a further 87 to be realised in 2014, with the result that the corresponding cost saving will only be fully reflected in 2014.

Personnel costs — Amounts in M.€

		2012	2013	Δ%
Remunerations				
Fixed remunerations	1	214.8	209.5	(2.5%)
Variable remunerations[4]	2	19.1	18.6	(2.6%)
Other[5]	3	16.5	10.1	(38.7%)
Remunerations [= Σ 1 to 3]	4	**250.4**	**238.2**	**(4.9%)**
Pension costs and social charges[6]	5	68.0	64.3	(5.5%)
Remunerations, pension costs and social charges [= 4 + 5]	6	**318.5**	**302.5**	**(5.0%)**
Costs with early retirements	7	30.2	23.3	(22.8%)
Changes to the pensions plan – death subsidy	8	(38.7)	(3.3)	91.4%
Total [= Σ 6 to 8]	9	**310.0**	**322.5**	**4.0%**

Table 34

1) Operating costs (personnel costs, outside supplies and services and depreciation) as percentage of net operating revenue.
2) Excluding non-recurring impacts on both costs and revenues.
Non-recurring impacts in revenues:
In 2012: (i) 170.3 M.€ of realised capital gains on the sale of Portuguese treasury bonds and (ii) net gains of 122.0 M.€ with the repurchase of liabilities and other bond associated results.
In 2013: (i) 129.0 M.€ of realised capital gains on the sale of Portuguese treasury bonds and (ii) net gains of 13.0 M.€ with the repurchase of liabilities and other bond associated results.
Non-recurring impacts in costs:
In 2012: a net gain of 8.5 M.€ which was due to (i) early-retirements costs of 30.2 M.€ and (ii) a gain of 38.7 M.€ resulting from changes in calculating the death subsidy (Decree Law 133 / 2012 of 27 June).
In 2013: net costs of 20.0 M.€ which were due to (i) early-retirements costs of 23.3 M.€ and (ii) a gain of 3.3 M.€ resulting from changes in calculating the death subsidy (Decree Law 13 / 2013).
3) The non-recurrent impacts resulted from: (i) the Executive Committee's decision to bring forward the payment to all Employees of a proportional part of the long-service award envisaged in the ACTV to the service rendered until 31 December 2012, which gave rise to an impact on personnel costs of 1.0 M.€; (ii) the change in the actuarial assumptions used for calculating the present value of the long-service liabilities, which resulted in a 2.5 M.€ increase in liabilities which was recognised as a cost of the year; (iii) from taking into consideration in the calculation of the present value of liabilities the Social Security charge to be borne by the Bank, which resulted in liabilities increasing by 5.4 M.€ (recognised as a cost of the year).
4) As regards the 2012 and 2013 financial years variable remuneration was not awarded to the Executive Committee members of the Board of Directors.
5) Includes bonuses and motivation incentives for the commercial network, long service awards, cost of loans to Employees and others.
6) Includes current service cost, other Employer's contributions and the amortisation of changes to pension plan conditions.

Employee pension obligations

At 31 December 2013, the present value of the liabilities which the Bank continues to bear was 1 082 M.€.

The staff pension funds' net assets amounted to 1 132 M.€[1] which covered the funding of 105% of pension liabilities.

Pension funds' income

In 2013, the Bank's pension funds posted a return of 16%, well above the discount rate (4.5%) and which originated a positive actuarial variance of 115 M.€. Up till the end of 2013, the actual return earned by Banco BPI's pension fund since its creation in 1991 was 9.4% per annum on average, while over the past ten, five and three years the actual annual return was 7.1%, 9.1% and 9.4%, respectively.

Pension liabilities

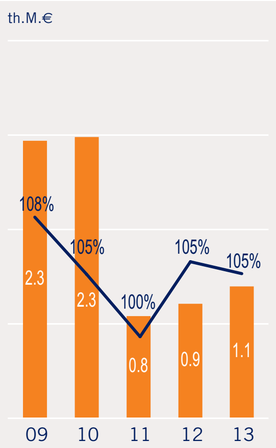


Chart 50

■ Pension liabilities
– Coverage by the pension funds' assets

Banco BPI pension funds' assets
At 31 December 2013

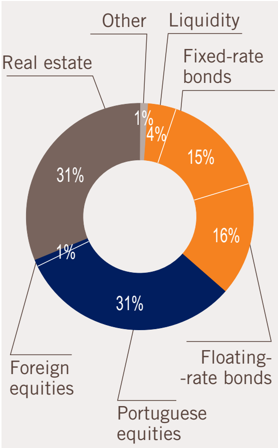


Chart 51

Employees' pension liabilities and pension funds

Amounts in M.€

		2012	2013
Pension liabilities	*1*	937.1	1 082.4
Pension funds[2]	*2*	987.4	1 131.9
Financing surplus	*3*	50.3	49.6
Financing of pension liabilities	*4*	**105.4%**	**104.6%**
Total prudential corridor	*5*	97.1	112.7
Total actuarial deviations[3]	*6*	(89.5)	(92.4)
Deviations impacting regulatory capital (outside the corridor)	*7*	0.0	0.0
Pension funds return	*8*	20.0%	16.2%

Table 35

Financial and actuarial assumptions

At the end of 2013, BPI reduced the discount rates by 0.5 p.p. (at Banco BPI from 4.83% to 4.33% for current Employees and from 4.00% to 3.50% in the case of retirees[4]).

Meanwhile BPI started to consider for the population covered a longer life expectancy by virtue of, while maintaining the mortality tables, taking into account an age of 2 or 3 years less than the actual age of the male or female beneficiaries, respectively, whereas hitherto an age of 1 year less was considered for both.

Together these alterations in essence explain a negative actuarial variance (increase in liabilities) of 136.4 M.€.

1) Including 2.9 M.€ of contributions to be transferred to the pension funds.
2) Includes contributions to be transferred to the pension funds (0.5 M.€ in 2012 and 2.9 M.€ in 2013)
3) At the end of 2011, BPI adopted the method of recognizing actuarial gains and losses directly in Shareholders' equity (OCI – Other Comprehensive Income), in accordance with the revision of IAS19 which became mandatory from 1 Jan. 2013. The negative actuarial deviations at the end of 2012 (89.5 M.€) and 2013 (92.4 M.€), are deducted to shareholders' equity.
4) The value of the pension liabilities which result from the utilisation of the discount rates referred to for the population of current Employees and retirees at 31 December 2012 and 2013 is similar to that arrived at had a single discount rate of 4.5% and 4.0%, respectively, been utilised for the entire population.

Actuarial and financial assumptions

	2012			2013		
	Year--beginning	Jun.12	Year-end	Year--beginning	Jun.13	Year-end
Discount rate at Banco BPI	5.5%[1]	5.5%[1]	4.5%[2]	4.5%[2]	4.5%[2]	4.0%[3]
Discount rate at other companies	5.5%	5.5%	4.5%	4.5%	4.5%	4.0%
Pensionable salary increase rate	2.0%	2.0%[4]	1.5%	1.5%	1.5%	1.5%
Pension increase rate	1.25%	1.25%	1.0%	1.0%	1.0%	1.0%
Mortality table	TV 73 / 77-M – 1 year[5] TV 88 / 90-W – 1 year[5]					TV 73 / 77-M – 2 years[6] TV 88 / 90-W – 3 years[6]

Table 36

Actuarial variances

At 31 December 2013, the total value of accumulated negative actuarial variances was 92.4 M.€ and was fully encompassed in the prudential corridor and, therefore, does not give rise to any impact on own funds calculated according to the Bank of Portugal's rules.

The negative variances increased by 2.9 M.€ relative to December 2012, given that the negative actuarial variances arising in the year of -117.9 M.€ and stemming from the changes to the abovementioned actuarial assumptions, were practically offset by the positive variance of the fund's actual income *vis-à-vis* the assumed income (+115.0 M.€).

Actuarial deviations in the year

Amounts in M.€

		2012	2013
Deviation in pension fund income	*1*	113.3	115.0
Change in discount rate and pension increase rate	*2*	(98.2)	(93.7)
Change in mortality table	*3*		(42.6)
Other	*4*	18.6	18.5
Total *[= Σ 1 to 4]*	*5*	**33.8**	**(2.9)**

Table 37

Liabilities for the Directors' complementary pension plan

At 31 December 2013, the liabilities for the complementary pension plan for Directors totalled 39.1 M.€ and were 97% covered by the pension fund[7].

1) It was considered a discount rate of 5.83% for current Employees' liabilities 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) It was considered a discount rate of 4.83% for current Employees' liabilities 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) It was considered a discount rate of 4.33% for current Employees' liabilities and 3.50% for retirees, which is similar to that which one would obtain had a single discount rate of 4.0% been applied to the entire population.
4) Up till the first half of 2012, inclusive, the estimated salary increases due to compulsory promotions for long service and seniority payments was taken into account by the Bank in the rate of increase of pensionable salaries used for calculating pension liabilities. Effective from the end of 2012, the compulsory promotions for long service and the projection of seniority payments began to be taken into consideration separately, directly in the future salary estimates. Consequently, the growth rate for pensionable salaries was adjusted accordingly (2.0% to 1.5%). This change did not result in a decrease in liabilities for past services.
5) For the population covered, an age of 1 year less than the beneficiaries' actual age is considered, which equates to considering a longer life expectation.
6) For the population covered, an age of 2 years less for men (M) and 3 years less for women (W) than the beneficiaries' actual age is considered, which equates to considering a longer life expectation.
7) Including 2.8 M.€ of contributions to be transferred to the pension fund.

IMPAIRMENTS AND PROVISIONS

Impairment charges in the year, net of recoveries of loans previously written off, amounted to 234.8 M.€ in 2013 and corresponded to:

- loan impairments (net of recoveries) of 249.0 M.€;
- reversals of impairments for other purposes of 14.2 M.€. This figure includes impairment reversals of 30 M.€ for foreclosed fixed properties under loan-recovery operations by virtue of BPI having adjusted the excess coverage for these assets that was identified in the valuation of foreclosed assets requested by the Bank of Portugal and completed in the final quarter of 2013. At the end of 2013, BPI had a portfolio of foreclosed properties with a gross balance sheet value of 166.5 M.€[1] which were covered by impairment allowances to the extent of 20%.

In 2012, the value of impairment charges in the year net of recoveries was 275.3 M.€, and corresponded to loan impairments net of recoveries of 241.6 M.€ and impairments for other purposes of 33.7 M.€.

Customer loan impairments

The net credit loss, which corresponds to the amount of loan impairments (264.3 M.€) net of loan recoveries (15.3 M.€), amounted to 249.0 M.€ in 2013. The net credit loss in 2013 represented 0.98% of the loan portfolio's average balance. This indicator's average value in the previous ten years was 0.33%.

The trend in net credit loss relative to 2012 (+7.3 M.€) is mainly explained by:

- increase of 37.3 M.€ in the corporate, institutional banking and project finance segment, attributable essentially to the 83.1 M.€ increase in the net credit loss in the portfolio of loans to Spanish companies, which reflects in part the rise in non-performing loans as well as the portfolio's higher coverage, while in loans to Portuguese companies there was a 34.5 M.€ decrease;
- 35.8 M.€ decrease in loans to individuals and small businesses.

Cover for loans in arrears for more than 90 days, disregarding the value of real guarantees, rose from 89% at the end of 2012 to 98% at the end of 2013.

At the end of 2013, credit at risk was 75% covered by accumulated impairments in the balance sheet (without considering cover by collateral).

Credit at risk cover by impairment allowances in the principal loan segments at the end of 2013 was: 90% in loans to Portuguese companies, 77% in loans to Spanish companies (Madrid branch portfolio), 85% in small business loans, 57%[2] in mortgage loans and 97% in other loans to individuals.

Total impairments net of recoveries
As % of net operating profit

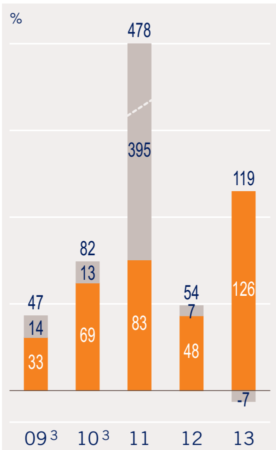


Chart 52

■ Other purposes
■ Loans

Cost of risk and net credit loss
As % of loan portfolio

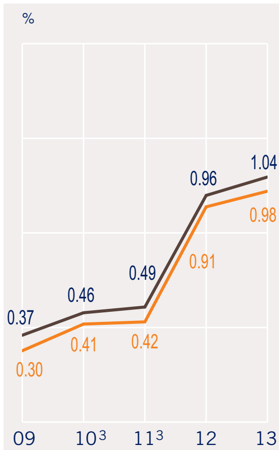


Chart 53

— Loan impairments
— Net credit loss

1) In the consolidated, the gross balance sheet value of foreclosed properties was 168.3 M.€ at the end of 2013 and were covered by impairment allowances at 20%.
2) The loan-to-value ratio for the mortgage loan portfolio at the end of 2013 was 58%.
3) In 2009, an extraordinary charge of 33.2 M.€ was excluded from the impairment charges for the year and in 2010 that extraordinary charge was added to the impairment allowances for the year due to its use.

Loan impairments

Amounts in M.€

		2012				2013			
		Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]	Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]
Corporate banking, institutional banking and project finance	*1*	142.5	1.30%	139.7	1.28%	180.6	1.90%	177.0	1.86%
Individuals and small businesses									
Mortgage loans	*2*	70.5	0.60%	69.0	0.58%	51.7	0.45%	50.2	0.43%
Loans to individuals – other purposes	*3*	17.3	1.51%	12.9	1.12%	11.1	1.13%	6.3	0.64%
Loans to small businesses	*4*	23.7	1.36%	19.6	1.12%	14.6	0.99%	9.1	0.62%
[= Σ 2 to 4]	*5*	111.6	0.76%	101.5	0.69%	77.4	0.55%	65.7	0.47%
Other	*6*	0.4	0.05%	0.4	0.05%	6.3	0.32%	6.3	0.32%
Total *[= 1 + 5 + 6]*	*7*	**254.4**	**0.96%**	**241.6**	**0.91%**	**264.3**	**1.04%**	**249.0**	**0.98%**

Table 38

EQUITY-ACCOUNTED RESULTS OF SUBSIDIARIES

The contribution of equity-accounted subsidiaries to the profit from domestic activity was 16.3 M.€ in 2013.

The 20.3% (+2.7 M.€) improvement in the equity-accounted results of subsidiaries relative to the previous year is explained by the positive contribution from the insurance-area subsidiaries – Allianz Portugal (+2.2 M.€) and Cosec (+3.3 M.€).

Equity-accounted results of subsidiaries

Amounts in M.€

		2012	2013	Δ%
Allianz Portugal	*1*	8.3	10.5	26.4%
Cosec	*2*	2.5	5.8	130.8%
[= 1 + 2]	*3*	10.8	16.3	50.6%
Finangeste	*4*	0.0	(1.8)	
Unicre	*5*	2.4	1.4	(39.1%)
Other	*6*	0.3	0.4	11.5%
Total *[= Σ 3 to 6]*	*7*	**13.6**	**16.3**	**20.3%**

Table 39

MINORITY INTERESTS

Minority shareholders' interests in net profit from domestic operations amounted to 2.1 M.€ in 2013 (1.7 M.€ in 2012). This figure essentially refers to the non-cumulative dividend from the preference shares issued by BPI Capital Finance[2] (balance sheet value of 51.0 M.€ in 31 December 2013).

1) Average performing loan portfolio.
2) Equals the three month Euribor rate plus a spread of 1.55 percentage points with a step up to 2.55 percentage points at 12 August 2013.

RESULTS OF INTERNATIONAL OPERATIONS

NET PROFIT

The contribution from international operations to consolidated net profit was 95.2 M.€ in 2013 (86.5 M.€ in 2012).

The main contributions to net profit from international operations corresponded to:

- Banco de Fomento Angola's (BFA) contribution of 88.0 M.€, relating to the appropriation of 50.1% of its individual net profit (which rose by 10.4% relative to 2012);
- Banco Comercial e de Investimentos's (BCI) contribution of 9.9 M.€, relating to the appropriation of 30% of its individual net profit (recognised using the equity method), which corresponds to a 5.2% year-on-year increase.

In the individual accounts, BFA earned a return on shareholders' equity (ROE) of 31.6% in 2013, while BCI posted a ROE of 25.5%.

The return on average capital allocated to international operations was 28.4% in 2013.

International activity net profit

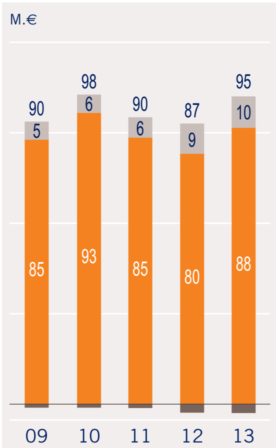


Chart 54

- BCI
- BFA
- Other

International activity ROE

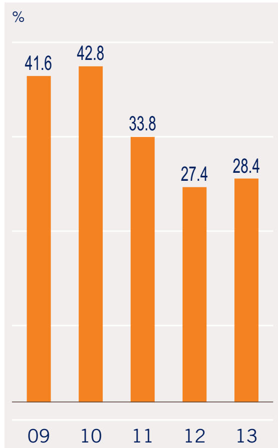


Chart 55

International activity income statement

Amounts in M.€

			2012	2013	Δ%
Net interest income (narrow sense)		1	180.3	190.3	5.6%
Net commission relating to amortised cost		2	1.1	0.4	(62.6%)
Net interest income	*[= 1 + 2]*	3	**181.3**	**190.7**	**5.2%**
Commissions and other fees (net)		4	50.4	53.9	6.9%
Profits from financial operations		5	75.7	89.9	18.8%
Operating income and charges		6	4.4	(2.1)	-
Net operating revenue	*[= Σ 3 to 6]*	7	**311.8**	**332.4**	**6.6%**
Personnel costs		8	62.8	64.3	2.5%
Outside supplies and services		9	53.5	54.4	1.7%
Depreciation of fixed assets		10	12.7	13.3	4.8%
Operating costs	*[= Σ 8 to 10]*	11	**129.0**	**132.1**	**2.4%**
Operating profit	*[= 7 - 11]*	12	**182.8**	**200.3**	**9.6%**
Recovery of loans written-off		13	2.7	2.3	(15.3%)
Loan provisions and impairments		14	14.9	8.4	(44.0%)
Other impairments and provisions		15	3.1	2.2	(30.0%)
Profits before taxes	*[= 12 + 13 - 14 - 15]*	16	**167.5**	**192.1**	**14.7%**
Corporate income tax		17	6.4	15.4	141.0%
Equity-accounted results of subsidiaries		18	10.3	10.8	5.2%
Minority interests		19	84.8	92.3	8.7%
Net profit	*[= 16 - 17 + 18 - 19]*	20	**86.5**	**95.2**	**10.0%**
Cash flow after taxation	*[= 20 + 10 + 14 + 15]*	21	**117.2**	**119.0**	**1.5%**

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 BPI Moçambique and BPI Capital África, both consolidated in full, have a minor weight. See notes to the financial statements 2.1 and 3.

Table 40

INCOME

Net operating revenue from international activity (BFA's operations) grew by 6.6% (+20.6 M.€) in 2013.

Net interest income

The 5.2% improvement in net interest income was mainly due to the positive effect of the lower average rate at which Customer resources were remunerated, coupled with the 0.4 th.M.€ growth in the volume of these resources, as well as the positive volume effect stemming from the 0.6 th.M.€ (in average balance terms) increase in placements with credit institutions (with an interest margin in 2013 of 0.4 p.p. relative to the average cost of resources).

These effects were however partially annulled by the negative volume effect resulting from the decreases of 4.9% and 7.2% in the average loan and securities portfolios, respectively. In 2013 the interest margin earned on those portfolios relative to the average cost of resources was 8.9 p.p. in loans and 4.5 p.p. in securities.

Net operating revenue

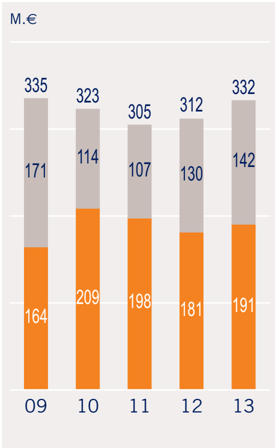


Chart 56

- Commissions, profits from financial operations and other
- Net interest income

Net interest income generation in 2013[1]

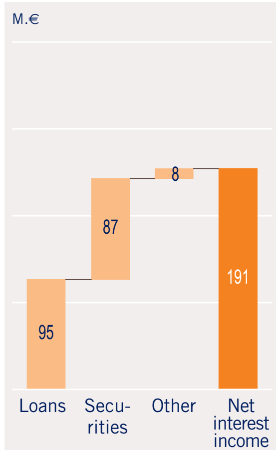


Chart 57

Factors influencing the trend in net interest income from BFA

Amounts in M.€

		2012			2013			Change in net interest income				
								Volume effect and residual effect			Rate effect	Total
		Average balance	Average rate	Interest (income / costs)	Average balance	Average rate	Interest (income / costs)	Volume effect	Residual effect	Total		
Interest-earning assets												
Placements with credit institutions	*1*	1 373.3	2.1%	28.6	1 971.7	1.9%	37.5	12.5	(1.1)	11.4	(2.5)	8.9
Loans to Customers	*2*	1 124.8	9.9%	110.9	1 069.4	10.4%	111.2	(5.5)	(0.3)	(5.8)	6.1	0.4
Financial assets	*3*	2 094.6	6.0%	125.2	1 944.0	6.0%	116.9	(9.0)	(0.1)	(9.1)	0.8	(8.3)
Other	*4*			6.7			6.7					(0.0)
Interest-earning assets[2] *[= Σ 1 to 4]*	*5*	**4 592.7**	**5.9%**	**271.4**	**4 985.1**	**5.5%**	**272.3**	**(2.0)**	**(1.5)**	**(3.5)**	**4.4**	**0.9**
Interest-bearing liabilities												
Customer deposits	*6*	4 951.7	1.8%	88.6	5 361.0	1.5%	81.7	7.3	(1.1)	6.2	(13.2)	(6.9)
Other interest-bearing liabilities	*7*	9.0	0.3%	0.0	19.1	0.3%	0.1	0.0	0.0	0.0	0.0	0.0
Other	*8*			2.5			0.2					(2.2)
Interest-bearing liabilities[2] *[= Σ 6 to 8]*	*9*	**4 960.7**	**1.8%**	**91.1**	**5 380.1**	**1.5%**	**82.0**	**7.4**	**(1.1)**	**6.3**	**(13.2)**	**(9.1)**
Net interest income (narrow sense) *[= 5 - 9]*	*10*			**180.3**			**190.3**	**(9.4)**	**(0.4)**	**(9.7)**	**17.5**	**10.0**
Average spread (between interest earning assets and interest--bearing liabilities)	*11*		4.1%			3.9%						

Table 41

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

Commissions

Commissions and other fees in 2013 totalled 53.9 M.€, which corresponds to a 6.9% increase (+3.5 M.€) relative to 2012.

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

			2012	2013	Δ%
Banking services		*1*	21.4	21.5	0.5%
Deposits and related services		*2*	17.8	18.6	4.6%
Loans and guarantees		*3*	8.2	9.5	15.4%
Other		*4*	3.1	4.4	41.2%
Total	*[Σ = 1 to 4]*	*5*	**50.4**	**53.9**	**6.9%**

Table 42

Profits from financial operations

In 2013, profits from financial operations were up 18.8% to 89.9 M.€. This figure is mostly composed of currency gains derived from commercial operations with Customers.

OPERATING COSTS

Operating costs rose by 2.4% in 2013. The continued expansion of the distribution network in Angola, which grew by around 4.8% in 2013, and the associated larger workforce, with a 6.4% rise in the average number of Employees, constitute the prime factors behind the higher costs.

Personnel costs, which include the effect of the US dollar's depreciation against the EUR (-3.0% in 2013) – given that in Angola salaries are indexed to the dollar – were 2.5% higher in 2013. Outside supplies and services and depreciation and amortisation posted increases of 1.7% and 4.8%, respectively.

The indicator "operating costs as a percentage of net operating revenue" was situated at 39.7% in 2013.

Operating costs Amounts in M.€

			2012	2013	Δ%
Personnel costs		*1*	62.8	64.3	2.5%
Outside supplies and services		*2*	53.5	54.4	1.7%
Operating costs, before depreciation and amortisation	*[= 1 + 2]*	*3*	**116.3**	**118.8**	**2.1%**
Depreciation and amortisation		*4*	12.7	13.3	4.8%
Operating costs	*[= 3 + 4]*	*5*	**129.0**	**132.1**	**2.4%**
Efficiency ratio[1]		*6*	41.4%	39.7%	

Table 43

LOAN IMPAIRMENTS AND PROVISIONS

Loan impairment charges in the year amounted to 8.4 M.€, 6.6 M.€ less than in 2012.

Net operating revenue and operating costs

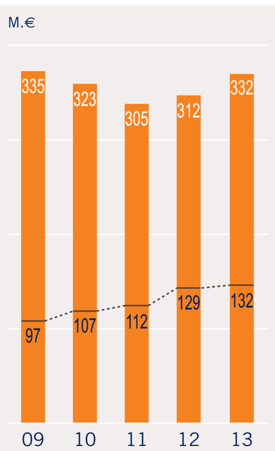


Chart 58

Net operating revenue
Operating costs

Operating costs as % of net operating revenue

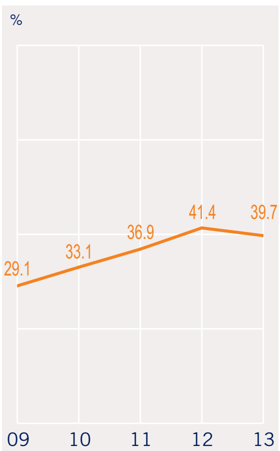
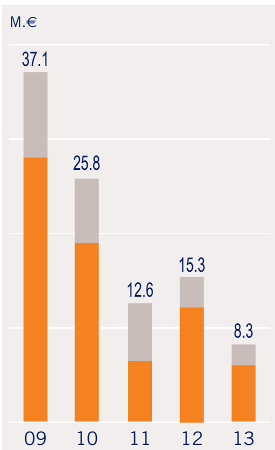


Chart 59

Total impairments net of recoveries
2009 to 2013



As % of net operating profit

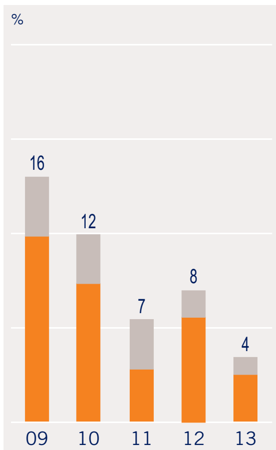


Chart 60

Chart 61

Other purposes
Loans (net of recoveries)

1) Operating costs as percentage of net operating revenue.

Loan impairments in the year net of recoveries (2.3 M.€) amounted to 6.1 M.€ and represented 0.56% of the average loan portfolio (1.07% in 2012).

At the end of 2013, BFA had a ratio of Customer loans in arrears for more than 90 days of 4.4% (4.6% in 2012). Loans in arrears for more than 90 days were 148% covered by accumulated loan provisions in the balance sheet at the end of 2013.

Loan impairments

		2012		2013	
		M.€	**As % of loan portfolio[1]**	**M.€**	**As % of loan portfolio[1]**
Loan impairments	*1*	14.9	1.31%	8.4	0.77%
(-) Recoveries of loans in arrears written off	*2*	2.7	0.24%	2.3	0.21%
Loan impairments net of recoveries *[= 1 - 2]*	*3*	**12.2**	**1.07%**	**6.1**	**0.56%**

Table 44

RESULTS OF EQUITY-ACCOUNTED 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 5.2% to 10.8 M.€ [2].

The behaviour of BCI's net profit reflects the banking business's robust growth, underpinned by the distribution network's expansion and the attendant larger workforce.

Total assets rose by 15%, deposits and loans expanded by 13% and 16%, respectively, while the number of Customers increased by 38% to 777 thousand.

MINORITY INTERESTS

Minority shareholders' interests in net profit from international operations correspond to the 49.9% equity interest in BFA held by Unitel.

BPI recognised 92.3 M.€ of minority interests in BFA's net profit in 2013.

1) Average preforming loan portfolio.
2) BCI's contribution to BPI consolidated net profit, besides the equity-accounted results also includes the deferred tax relating to BCI's distributable results. In 2013, BCI's contribution was 9.9 M.€, up 5.2% on the previous year's contribution.

BALANCE SHEET

BFA has an extremely liquid balance sheet, with Customer resources (5 645 M.€) funding 88% of assets. At the close of 2013, Customer resources together with own resources funded virtually all the assets.

The Customer loans portfolio represented 17% of assets while the transformation ratio of deposits into loans was situated at 19% at the end of December.

The surplus liquidity in BFA's balance sheet, defined as the total of deposits and shareholders' equity not allocated to funding loans, compulsory reserves or financing fixed assets, amounted to 4.2 th.M.€ at the end of December 2013.

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

International activity balance sheet structure in 2013

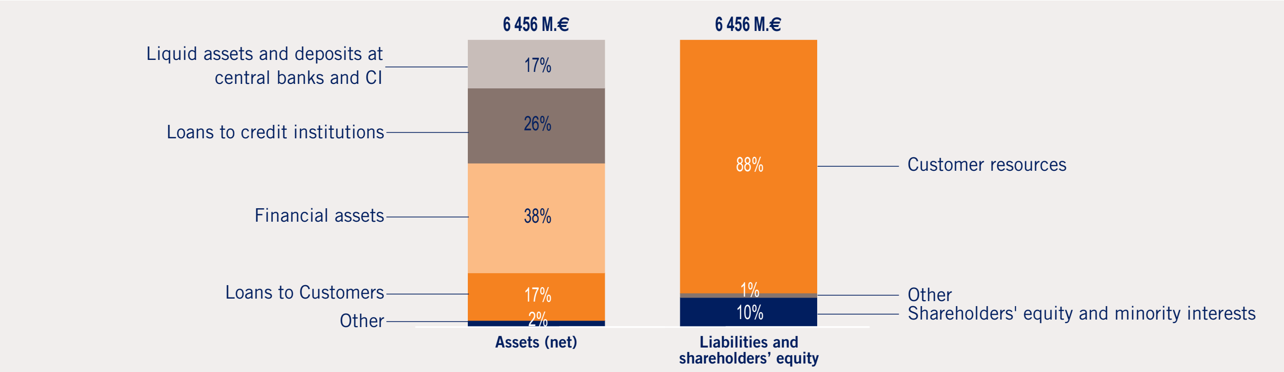


Chart 62

Customer loans

BFA's Customer loans portfolio contracted 1.0% (-10.7 M.€) in 2013, with BFA maintaining a selective approach in the granting of loans and adopting stringent criteria in risk evaluation.

Loans to companies rose by 2.6% (+17.4 M.€) while loans to individuals were down 6.8% (-27.8 M.€), with declines in consumer loans (-20.7 M.€ and mortgage loans (-7.1 M.€).

The portfolio component denominated in kwanzas decreased 1.2% (-8 M.€) and the component expressed in USD fell 0.8% (-3 M.€). Hence, the weight of the portfolio component expressed in kwanzas remained virtually unchanged at 60.7% at the end of 2013 (60.8% in 2012).

Loans to Customers
2009 to 2013

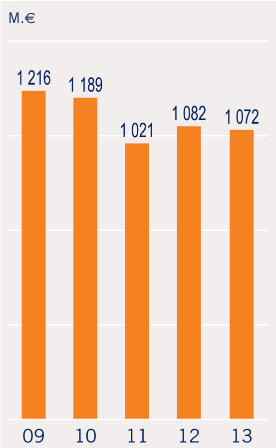


Chart 63

Loan portfolio
Breakdown at 31 Dec. 2013

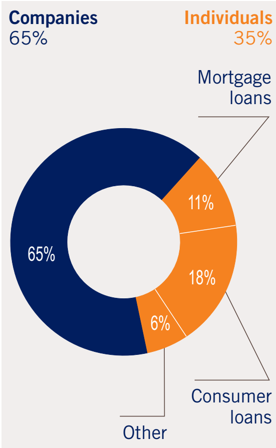


Chart 64

Customer loans' portfolio Amounts in M.€

		2012	2013	Δ%
Loans to companies	1	682.5	699.9	2.6%
Loans to individuals				
Housing loans	2	128.7	121.7	(5.5%)
Consumer loans	3	215.5	194.8	(9.6%)
Other	4	65.1	65.1	(0.0%)
[= Σ 2 to 4]	5	**409.4**	**381.6**	**(6.8%)**
Loans in arrears	6	55.2	52.0	(5.9%)
Loan impairments	7	(72.9)	(69.5)	(4.6%)
Interests and other	8	8.0	7.7	(4.6%)
Total [=1 + Σ 5 to 8]	9	**1 082.3**	**1 071.6**	**(1.0%)**
Guarantees	10	317.7	227.6	(28.3%)

Table 45

Customer resources

BFA's resources portfolio posted a 7.1% expansion in 2013. Sight deposits represent more than half of the resources taken from Customers.

Customer resources' portfolio Amounts in M.€

		2012	2013	Δ%
Sight deposits	1	2 811.1	3 028.6	7.7%
Term and savings deposits	2	2 459.1	2 616.0	6.4%
Total [= 1 + 2]	3	**5 270.2**	**5 644.6**	**7.1%**

Table 46

The kwanza-denominated component of deposits increased by 620 M.€ (+29.4%), more than offset by the decreases of 180 M.€ (-6.1%) in the component in dollars and of 66 M.€ (-28%) in the component in other currencies.

In December 2013, roughly 49% of Customer deposits were expressed in dollars (56% in 2012), 48% in kwanzas and 3% in other currencies.

Securities and financial investments portfolio

In 2013, the financial assets portfolio is composed of short-term securities, with maturities of up to one year, expressed in kwanzas and issued by the State (Treasury Bills) and Angolan Treasury Bonds with maturities ranging from 1 to 6 years.

This portfolio is used for investing BFA's surplus liquidity and balance sheet management. The surplus liquidity in kwanzas is invested in short-dated securities issued by the Angolan Treasury, in deposits at the BNA and in Treasury Bonds in kwanzas. The surplus liquidity in dollars is invested on the interbank market and in Angolan Treasury Bonds expressed in or indexed to the dollar.

The securities portfolio amounted to 2 426.3 M.€ at the close of 2013 (+20.5% relative to 2012).

Securities and financial investments portfolio Amounts in M.€

		2012	2013	Δ%
Short-term securities				
Angolan Treasury Bills (BT)	1	245.5	506.7	106.4%
Central Bank bonds (TBC)	2	273.2	0.0	(100.0%)
[= 1 + 2]	3	**518.7**	**506.7**	**(2.3%)**
Angolan Treasury Bonds (OT)	4	1 492.0	1 915.7	28.4%
Other	5	2.8	3.9	39.4%
[= Σ 3 to 5]	6	**2 013.5**	**2 426.3**	**20.5%**
Financial investments[1]	7	38.9	45.0	15.6%
Total [= 6 + 7]	8	**2 052.4**	**2 471.2**	**20.4%**

Table 47

Customer resources
2009 to 2013

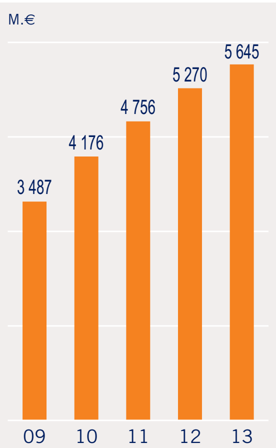


Chart 65

Customer resources
Breakdown at 31 Dec. 2013

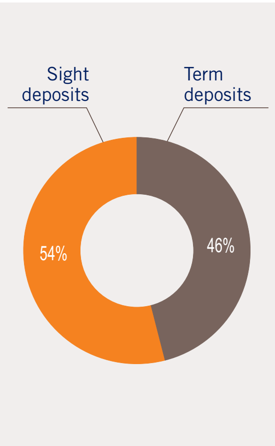


Chart 66

Portfolio of Angolan Treasury Bills and TBC

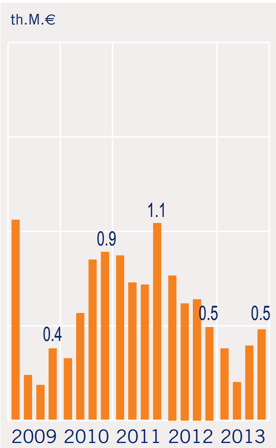


Chart 67

Portfolio of Angolan Treasury Bonds

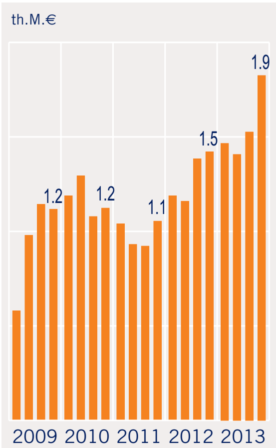


Chart 68

1) Value of the equity-accounted 30% shareholding in BCI.

Consolidated

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

	31 Dec. 12	31 Dec. 13
Net operating revenue and results of equity accounted subsidiaries / ATA	3.0%	2.5%
Profit before taxation and minority interests / ATA	1.0%	0.4%
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	30.2%	8.2%
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	25.3%	36.0%
Operating costs / net operating revenue and results of equity accounted subsidiaries[1]	45.0%	60.5%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	3.3%	4.0%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	0.4%	0.3%
Credit at risk[2]	4.2%	5.1%
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.4%	1.4%
Restructured loans as % of total loans[3]		6.1%
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]		4.4%
Own funds requirements ratio	15.0%	16.2%
Basis own funds ratio (tier I)	14.9%	16.2%
Core tier I ratio	15.0%	16.5%
Loans (net) to deposits ratio	106%	96%

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 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.

3) According to Bank of Portugal Instruction 32 / 2013.

ATA = Average total assets.

Table 48

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.

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

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

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

The management of operational risk at the BPI Group is entrusted to two specific bodies: the Operational Risk Committee and the Analysis and Operational Risk Management Area in the Quality and Organisation Division, as well as to members of each one of the Group's bodies charged with the identification and management of operational risks in their areas of activity.

The BPI Group's Compliance Division covers all areas, processes and activities of companies 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

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Performance Evaluation
Credit / counterparty risk	**DACR**: rating and scoring models (probabilities of default), and loss given default for all loan segments **DACR** and **DF**: external rating identification for debt securities and for credit to financial institutions **DRC**: Risk analysis, Rating for Corporates, Small Businesses, Project Finance and Institutional Clients **Rating Committee**: Rating for Institutional Clients and Derogation of Rating for Large Corporates **DRCP**: Expert System for loans to Individuals **DACR**: exposure to derivatives **DACR**: analysis of overall exposure to credit risk	**CECA**, **CERG**: overall strategy **CECA**, **CERC**: approval of substantial operations **Credit Board**, **DRC**, **DBI**, **DRCP**, **DF**: approval of operations	**CA** (with CRF advisory) **CECA**, **CERC**, **Credit Board**, **DRC**, **DRCP**, **DACR**, **DF**: limits **CA** (with CRF advisory), **CECA**, **CACI**, **CERC**, **CERG**, **Credit Board**, **DACR**, **DO**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DRCE**: Companies **DRCP**: Individuals and Small Businesses	**CECA**, **CERG**, **CERC**, **DCPE**, **DACR**, **All other Divisions**
Country risk	**DF**: analysis of individual country risk with recourse to external ratings and analyses **DACR**: analysis of overall exposure	**CECA** and **CERG**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CACI**, **CERG**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Market risk	**DACR**: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other	**CECA** and **CERG**: overall strategy **DF**, **DA**: operations	**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		
Liquidity risk	**DF**, **DA**: individual risk analysis of liquidity, by instrument **DACR**: analysis of overall liquidity risk	**CECA** and **CERG**: overall strategy	**CA** (with CRF advisory) **CECA**, **CACI**, **CERG**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Operating risks	**DACR**: analysis of overall exposure **DOQ** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **CRO** **DOQ**: regulations	**CECA**, **CERG**, **DOQ**, **DACR**: regulation and limits **CECA**, **CACI**, **DOQ**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DJ**, **DAI**, **DO**, **Commercial Divisions**	**CECA**, **DOQ**[2]
Legal and compliance risks	**DJ**, **DC** **DC**: compliance risk analysis	**CECA**: compliance	**CECA**, **CACI**, **DJ**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		

CA – Conselho de Administração (Board of Directors); **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **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); **DBI** – Direcção de Banca Institucional (Institutional banking Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

The Financial Risks Committee – a consultative body reporting to the Board of Directors – is responsible, without prejudice to the legal terms of reference vested in the Supervisory Board, for monitoring the management policy covering all the financial risks arising from BPI's operations, namely liquidity, interest rate, exchange rate, market and credit risks, as well as monitoring the Company's pension-fund management policy.

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

CREDIT RISK

Management process

Credit risk associated with the possibility of actual default by a counterparty (or with the change in the economic value of a given instrument or portfolio stemming from a deterioration in the risk quality of a counterparty) constitutes the primary risk factor inherent in the BPI Group's business spectrum.

Specific approval for loans to **companies and small businesses or to institutional Customers** follows the principles and procedures laid down in the credit regulations, and in essence result from the following:

- Rejection filters: the existence of incidents and defaults, liens or debts to the Tax Administration and to the Social Security Department; others.
- Exposure limits to credit risk: evaluation of the present capability to service debt and the establishment of corresponding maximum exposure limits, also paying attention to the Bank's involvement capacity.
- Acceptance / rejection boundary according to the probability of the counterparty defaulting: a boundary is set in accordance with the internal rating (potential Customers whose classification places them in a risk class which is deemed to be excessive are turned down, that is, whose probability of defaulting is high) or in accordance with an equivalent analysis by an expert system.
- Mitigation of risk attaching to operations: regard is had to any personal or tangible guarantees which contribute to reducing risks.

In the **corporate** segment, the object is to become involved with long-term operations which are associated with tangible guarantees (financial and non-financial), with collateral cover levels (net of haircuts and temporal adjustments in the case of financial assets) of 100%.

In the **small businesses segment**, the medium / long-term operations must as a rule be fully secured by tangible guarantees.

In order to mitigate credit risk on companies' derivative operations, in addition to the drafting of contracts with clauses which permit the set-off of obligations in the event of default, BPI has as a rule signed collateralisation accords with its counterparties.

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 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.

Internal rating of companies
Breakdown of exposure by risk classes in 2013

Risk classes		Value (M.€)[2]	% of portfolio amount	One-year default probability[3]
E1	*1*	68.1	0.98%	0.21%
E2	*2*	663.4	9.56%	0.32%
E3	*3*	641.6	9.25%	0.33%
E4	*4*	1 111.2	16.02%	0.33%
E5	*5*	754.2	10.87%	0.59%
E6	*6*	785.9	11.33%	1.13%
E7	*7*	699.9	10.09%	2.51%
E8	*8*	636.8	9.18%	6.08%
E9	*9*	333.6	4.81%	11.77%
E10	*10*	282.8	4.08%	21.75%
Without rating	*11*	85.5	1.23%	3.64%
ED1	*12*	70.2	1.01%	55.83%
ED2	*13*	57.3	0.83%	83.28%
ED3 (default)	*14*	747.2	10.77%	100.00%
Total *[= Σ 1 to 14]*	*15*	**6 937.4**	**100%**	**4.74%**

Table 49

The average default probability of the companies portfolio from a one-year perspective weighted by the amount of liabilities stood at 4.7% at 31 December 2013. The loss on each operation in default in this segment is, on average, 34.7. The expected loss is, on average 1.8%.

In the project finance and structured finance areas, there is a classification system based on five classes. The portfolio is composed in the majority of cases of projects with "good" or "strong" ratings.

Internal rating of project finance
Breakdown of exposure by risk classes in 2013

Risk classes		Value (M.€)	% of portfolio amount
Strong	*1*	170.8	6.6%
Good	*2*	1 372.1	53.4%
Satisfactory	*3*	434.1	16.9%
Weak	*4*	473.0	18.4%
Default	*5*	119.5	4.7%
Total *[= Σ 1 to 5]*	*6*	**2 569.4**	**100.0%**

Table 50

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) 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.

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 4.3% and 62.0%, 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 51% and the sector concentration index at 12.5%. 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 (1.4%). This favourable trend is due to the natural decline in default probabilities on older loans (the portfolio's average age is 7 years while the peak of default probabilities in their lifespan is situated at 2 years).

Default probabilities of loans to individuals
At 31 December 2013

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	1.44%	15.77%	0.33%
Personal loans	2.68%	33.55%	0.90%
Motor car finance	1.28%	22.47%	0.29%
Credit cards	0.97%	48.52%	0.47%

Table 51

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.

Loan-to-value ratio in housing loans
At 31 December 2013

	Dec. 2013
New loans contracted[4]	58%
Housing loan portfolio	58%
Loans in default (more than 90 days)	89%

Table 52

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.

1) Probability of default weighted by the liabilities in portfolio or potential liabilities (credit cards).
2) The calculation of the average default probability includes situations of loans in arrears for less than 90 days.
3) The DPs presented are point-in-time.
4) Loans granted in December 2013.

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[1]

Amounts in M.€

	2012	%	2013	%
AAA	0.8	0.0%	0.8	0.0%
AA	10.9	0.1%	8.3	0.1%
A	203.1	2.1%	157.4	1.9%
BBB	2 157.1	22.2%	1 582.6	19.5%
BB	5 411.0	55.7%	5 244.3	64.5%
B	36.5	0.4%	59.6	0.7%
CCC	36.8	0.4%	0.5	0.0%
CC	3.8	0.0%	0.0	0.0%
C	0.0	0.0%	0.0	0.0%
Commercial paper with guarantees from credit institutions	103.4	1.1%	163.6	2.0%
Commercial paper without guarantees	1 110.3	11.4%	798.1	9.8%
Without rating	635.0	6.5%	115.5	1.4%
Total	**9 708.7**	**100.0%**	**8 130.6**	**100.0%**

Table 53

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 figure of 19 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 390 M.€ (gross amount) to 193 M.€ (net amount, after set off and collateralisation) at the end of 2013.

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

Amounts in M.€

	2012	%	2013	%
Over-the-counter market	**282.4**	**100.0%**	**193.3**	**100.0%**
Financial institutions	5.7	2.0%	6.1	3.1%
Other financial intermediaries	2.2	0.8%	0.3	0.2%
Local and administrative public sector	0.8	0.3%	0.4	0.2%
Companies	271.3	96.1%	185.7	96.1%
Unit trust funds and pension funds	0.00	0.0%	0.0	0.0%
Individuals	2.4	0.9%	0.8	0.4%
Regulated markets	**-**	**-**	**-**	**-**
Stock exchange	-	-	-	-
Total	**282.4**	**100.0%**	**193.3**	**100.0%**

Table 54

This form of evaluating exposure to counterparty risk is complemented by the traditional regulatory approach (own funds requirements by capital at risk).

Default, provisioning and recovery levels

BPI records a slower stream of new default situations, maintaining loan-quality indicators at relatively good levels, while reinforcing credit-risk provisioning.

1) Includes securities in the available-for-sale portfolios, bonds classified as loans and commercial paper.

2) The total substitution value is the sum of the substitution values of the counterparties, when positive. It does not include options inserted into bonds issued or bought. The substitution value incorporates the effect of the risk reduction that results from the set-off of credit and debit balances between the same counterparties and agreements with counterparties, which serve as guarantee for compliance with obligations.

The following are details of the principal arrear-loan, risk-cost and impairment-coverage ratios:

- **Ratio of loans in arrears (+90 days):** At the end of 2013, the ratio of loans in arrears for more than 90 days stood at 3.6% in consolidated terms. In domestic operations (95% of the consolidated loan portfolio), that ratio was 3.6% while in international operations (in Angola), which accounts for 5% of the consolidated loan portfolio, it was 4.4%.

- **Credit-at-risk ratio (BoP Instruction 23 / 2011[1])**: credit-at-risk in accordance with the Bank of Portugal's definition, corresponded to 5.1% of the consolidated gross loan portfolio at the end of 2013. In domestic operations, that ratio was situated at 5.0% and at 6.5% in international operations (in Angola).

- **Cost of credit risk:** impairment charges in the year net of loan recoveries represented 0.96% of the loan portfolio in 2013.

- **Impairment cover:** Accumulated loan impairment allowances in the balance sheet at the end of 2013 stood at 978.7 M.€. This figure corresponded to 77% of credit-at-risk, not taking into account the effect of risks covered by collateral, which represents an increase in loan-impairment cover when compared with the previous year (71%).

  Accumulated impairment allowances in the balance sheet for non-performing loans and guarantees (real and personal) represented 85% cover for the total exposure to operations with principal or interest in arrears for more than 30 days and including the associated loans falling due.

- **Foreclosed fixed properties:** foreclosed properties amounted to 168.3 M.€, in terms of gross balance sheet carrying amount. Following the Bank of Portugal's request, BPI carried out the valuation of all the foreclosed properties. As a result of that exercise, which was completed in the fourth quarter, BPI arrived at an impairment surplus of 30 M.€, which amount was then reversed in the accounts. At the end of 2013, the accumulated impairment allowances set aside for foreclosed properties covered 20% of their gross balance sheet amount. The net balance sheet carrying amount of those properties was therefore 135 M.€, which compares with their market value of 160.4 M.€.

Credit at risk

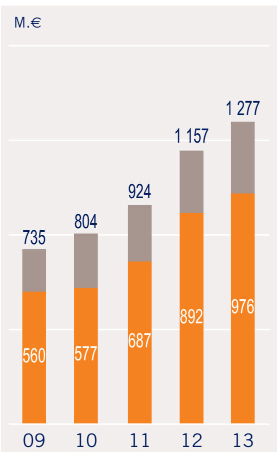


Chart 69

Credit at risk
Of which:
Loans in arrears for more than 90 days

Ratio of credit at risk

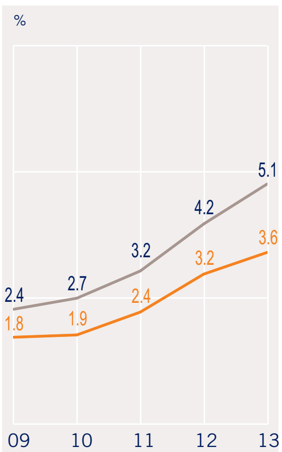


Chart 70

Credit at risk
Loans in arrears for more than 90 days

Impairments coverage
Not considering collaterals

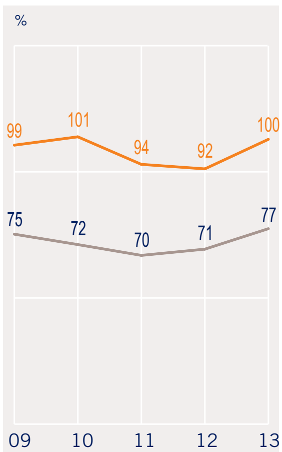


Chart 71

Coverage of:
Credit at risk
Loans in arrears for more than 90 days

Property repossessed from loans recovery
Gross value

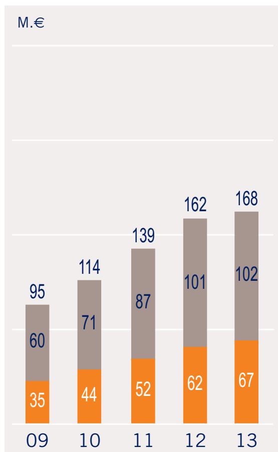


Chart 72

Other
Housing loans

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 321 M.€ for loans with no arrear instalments and for guarantees. Taking this figure also into account, coverage for total overdue loans and associated loans falling due stood at 108%.

Loans to Customers in arrears and loan impairments

Amounts in M.€

			2009	2010	2011	2012	2013		
			Conso-lidated	Conso-lidated	Conso-lidated	Conso-lidated	Domestic activity	International activity	Conso-lidated
Customer loan portfolio (gross)		1	30 486	30 609	28 995	28 129	25 756	1 141	26 897
Loans in arrears, falling due loans and impairments									
Credit at risk[1]		2	735.1	803.7	923.9	1 157.4	1 203.3	73.8	1 277.0
Loan impairments (accumulated in the balance sheet)		3	552.7	582.2	642.9	824.4	904.0	74.7	978.7
Loans in arrears for more than 90 days		4	559.9	577.0	686.6	891.9	925.9	50.4	976.3
Loans in arrears for more than 30 days		5	591.4	620.3	728.4	917.4	945.3	52.0	997.2
Ratios (as % of total loans)									
Credit at risk as % of loan portfolio[1,2]		6	2.4%	2.7%	3.2%	4.2%	5.0%	6.5%	5.1%
Credit at risk, net of accumulated impairments, as % of net loan portfolio[1,2]		7	0.7%	0.8%	0.9%	1.4%	1.5%	0.4%	1.4%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio	*[= 3 / 1]*	8	1.8%	1.9%	2.2%	2.9%	3.5%	6.5%	3.6%
Loans in arrears for more than 90 days as % of loan portfolio	*[= 4 / 1]*	9	1.8%	1.9%	2.4%	3.2%	3.6%	4.4%	3.6%
Loans in arrears for more than 30 days as % of loan portfolio	*[= 5 / 1]*	10	1.9%	2.0%	2.5%	3.3%	3.7%	4.6%	3.7%
Loan impairments as % of credit at risk	*[= 3 / 2]*	11	75%	72%	70%	71%	75%	101%	77%
Loan impairments as % of loans in arrears for more than 90 days	*[= 3 / 4]*	12	99%	101%	94%	92%	98%	148%	100%
Write-offs		13	53.1	93.6	86.3	81.3	84.8	0.0	84.8
Recovery of loans and interests in arrears written-off		14	21.2	15.9	20.3	15.5	15.3	2.3	17.6

Table 55

DOMESTIC OPERATIONS

Trend in defaulting loans and impairments in the year

The international financial crisis which began in 2007 and which was subsequently followed by a sovereign debt crisis that affected the countries of southern Europe – leading in Portugal's case to a request for an international bailout and to the implementation of a stringent financial stabilisation programme – originated far-reaching impacts in the real economy that resonated strongly in Banco BPI's domestic operations.

Since 2007, BPI has registered in domestic operations a deterioration in default indicators and a rise in credit-risk cost, which despite remaining at relatively good levels, have heavily penalised profitability in domestic operations.

In 2013, BPI records a slowdown in the flow of new default situations in domestic operations after having attained a historical peak in 2012.

The entries of new defaulting loans (for more than 90 days) in domestic operations, calculated as the change in the balance on arrear loans between the beginning and end of the year, plus loans written off and after deducting loan recoveries, declined from 263 M.€ in 2012 to 157 M.€ in 2013, a figure that is close to that registered in 2011 (145 M.€).

Impairment charges in the year, net of loan recoveries, totalled 249 M.€ and represented 0.98% of the loan portfolio in 2013.

The present text centres on the trend in the loan portfolio's quality indicators in Banco BPI's domestic operations. However, in order to provide a global vision for the Group, the following tables also present the indicators for the international operations and for the consolidated viewpoint (Group).

1) According to Bank of Portugal Instruction 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.

2) 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).

Last 10 years' trend in defaulting loans (for more than 90 days)
From 2004 till 2007, new incidences of arrear loans (for more than 90 days) – adjusted for write-offs and after deducting recoveries – in domestic operations amounted to an annual average figure of around 40 M.€, which represented roughly 0.20% of the loan portfolio.

Since 2007, mirroring the economic repercussions of the international financial crisis that emerged halfway through that year, there was an increase in non-performing loan situations in domestic operations. In annual average terms, the new entries of arrear loans (for more than 90 days) – adjusted for write-offs and net of recoveries – climbed to 117 M.€ (0.42% of the loan portfolio) between 2008 and 2010.

The stream of non-performing loan situations became more pronounced with effect from 2010, as a consequence of the repercussions in the Portuguese economy of the implementation, in a short space of time, of a demanding programme aimed at correcting the macroeconomic imbalances. In 2012, a maximum of 263 M.€ was reached, which corresponded to 0.99% of the loan portfolio.

By recording a reduction in the stream of new loan-default situations to 157 M.€ (0.61% of the loan portfolio), 2013 presents a containment of the deterioration witnessed in domestic operations, the first since 2010.

Credit-at-risk
The trend in credit-at-risk adjusted for write-offs and net of recoveries is similar to that for arrear loans (for more than 90 days). In 2013, the increase in credit-at-risk (adjusted for write-offs and net of recoveries) in domestic operations was 190 M.€ (0.75% of the loan portfolio), which amount is below the peak of 299 M.€ registered in 2012 (1.13% of the loan portfolio).

Annual change in loans in arrears (+90 days), adjusted by write-offs and net of recoveries

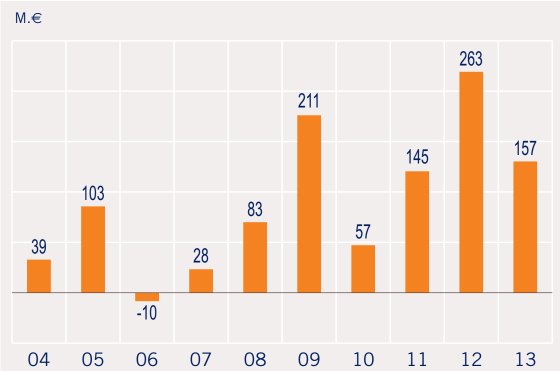


Chart 73

Loan impairments[1] net of recoveries

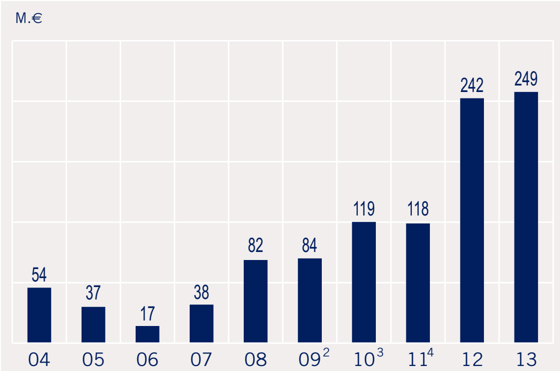


Chart 74

Annual change in loans in arrears (+90 days), adjusted by write-offs and net of recoveries
As % of average loan portfolio

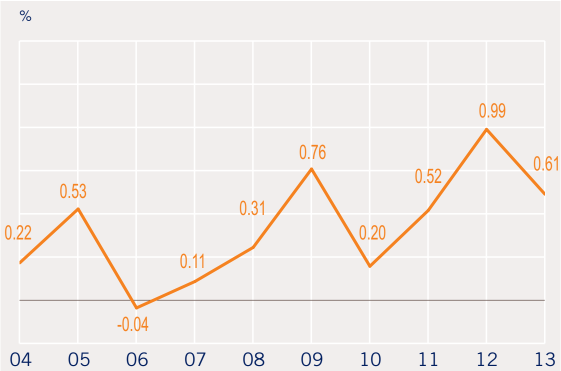


Chart 75

Loan impairments[1] net of recoveries
As % of average loan portfolio

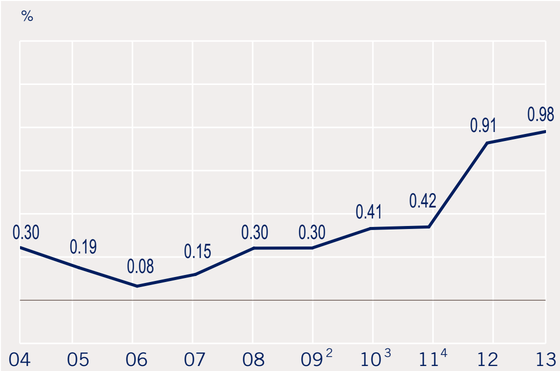


Chart 76

1) Provisions (PCSB until 2004, inclusive).
2) In 2009, it was considered the impairment charges for the year excluding the extraordinary charge made in December of that year (of 33.2 M.€).
3) In 2010 the utilisation of the extraordinary charge made in December 2009 (of 33.2 M.€) was added to the impairment charges for the year.
4) In 2011, loan impairment charges for Greek sovereign debt of 68.3 M.€ were excluded from impairments charges for the year.

New entries of arrear loans (for more than 90 days) and credit-at-risk net of recoveries

Change in arrear loans (for more than 90 days) and in credit-at-risk, adjusted for write-offs and net of recoveries of loans previously written off

Amounts in M.€

	2008	2009	2010	2011	2012	2013
Loans in arrears for more than 90 days (annual change)						
Domestic activity	83	211	57	145	263	157
as percentage of loan portfolio (average balance)	0.31%	0.76%	0.20%	0.52%	0.99%	0.61%
International activity	12	23	38	31	2	(5)
as percentage of loan portfolio (average balance)	1.08%	1.77%	2.93%	2.93%	0.13%	(0.45%)
Consolidated	**95**	**235**	**95**	**176**	**264**	**152**
as percentage of loan portfolio (average balance)	**0.34%**	**0.81%**	**0.32%**	**0.61%**	**0.95%**	**0.57%**
Credit at risk (annual change)						
Domestic activity	111	207	93	166	299	190
as percentage of loan portfolio (average balance)	0.41%	0.74%	0.32%	0.60%	1.13%	0.75%
International activity	16	41	53	20	(10)	(3)
as percentage of loan portfolio (average balance)	1.43%	3.13%	4.08%	1.87%	(0.90%)	(0.32%)
Consolidated	**127**	**248**	**146**	**186**	**289**	**187**
as percentage of loan portfolio (average balance)	**0.45%**	**0.85%**	**0.49%**	**0.64%**	**1.04%**	**0.70%**
Note:						
Performing loan portfolio (average balance)						
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500
International activity	1 128	1 325	1 308	1 054	1 141	1 087
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587

Table 56

Impairment charges in the year net of recoveries

Net credit loss, which corresponds to loan impairment charges net of recoveries of arrear loans in the year, amounted to 249 M.€ in domestic operations in 2013, slightly higher than the 2012 figure (242 M.€).

Net credit loss in domestic operations corresponded to 0.98% of the average performing loan portfolio. This indicator's average figure in the past 10 years was 0.33%.

The maintenance of loan impairments at historical highs and close to the figure recorded in 2012, bearing in mind the stream of new defaulting loans in 2013 (increases of 157 M.€ in arrear loans and of 190 M.€ in credit-at-risk adjusted for write-offs), translates into the reinforcement of the loan portfolio's coverage level.

Impairment charges in the year net of recoveries

Amounts in M.€

	2008	2009	2010	2011	2012	2013
Loan impairments net of recoveries						
Domestic activity	82	84	119	118	242	249
as percentage of loan portfolio (average balance)	0.30%	0.30%	0.41%	0.42%	0.91%	0.98%
International activity	10	28	19	7	12	6
as percentage of loan portfolio (average balance)	0.85%	2.12%	1.46%	0.62%	1.07%	0.56%
Consolidated	**91**	**112**	**138**	**124**	**254**	**255**
as percentage of loan portfolio (average balance)	**0.32%**	**0.38%**	**0.46%**	**0.43%**	**0.92%**	**0.96%**
Note:						
Performing loan portfolio (average balance)						
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500
International activity	1 128	1 325	1 308	1 054	1 141	1 087
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587

Table 57

Trend in credit-at-risk and impairments by segments

The slowdown in the trend in credit-at-risk in domestic operations reflects mainly:

- The stabilisation of credit-at-risk in the individuals and small business segment;
- deceleration of the deterioration in the companies segment in Portugal (including project finance), with a rise (adjusted) in credit-at-risk of 107 M.€ in 2013 which compares with 129 M.€ in 2012);
- deterioration of the Madrid branch's portfolio of loans to Spanish companies (91 M.€ in 2013 which compares with 41 M.€ in 2012).

Impairment charges, net of recoveries, in domestic operations totalled 249 M.€ in 2013. The principal components were:

- charges for loans to individuals and small businesses of 66 M.€;
- charges for loans to Portuguese companies (including project finance) of 85 M.€;
- charges for the Madrid branch's loans to companies of 95 M.€ (12 M.€ in 2012).

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

Amounts in M.€

	New entries in credit at risk, deducted of recoveries			Impairments in the year, deducted of recoveries		
	2011	2012	2013	2011	2012	2013
Domestic activity						
Companies in Portugal[2]	14.9	129.0	106.9	23.9	119.1	84.6
Madrid branch[3]	6.3	41.0	91.1	19.8	11.7	94.8
Public Sector	36.8	3.6	(4.0)	0.3	9.0	(2.3)
Individuals and Small Businesses Banking						
Mortgage loans to individuals	60.3	81.2	(15.3)	33.3	69.0	50.2
Other loans to individuals[4]	11.2	13.8	5.9	9.4	12.9	6.3
Small businesses	35.4	27.5	7.6	28.6	19.6	9.1
	106.9	122.6	(1.8)	71.3	101.5	65.7
Other	1.5	2.7	(1.9)	2.8	0.4	6.3
Domestic activity	**166.4**	**298.8**	**190.3**	**118.0**	**241.6**	**249.0**
International activity	**19.7**	**(10.2)**	**(3.5)**	**6.5**	**12.2**	**6.1**
Total	**186.1**	**288.6**	**186.9**	**124.5**	**253.9**	**255.0**

Table 58

Credit-at-risk and impairment coverage by segments

The credit-at-risk ratio, calculated according to Bank of Portugal Instruction 23 / 2011, stood at 5.0% at the end of 2013 in domestic operations.

Credit-at-risk cover by impairments in domestic operations, disregarding collaterals, increased from 69% in 2012 to 75% in 2013.

Credit-at-risk cover by impairment allowances (disregarding associated collaterals) in the main loan segments at the end of 2013 was:

- 90% in company loans in Portugal;
- 77% in loans to Spanish companies (Madrid branch portfolio);
- 85% in small business loans;
- 57% in mortgage loans. It should be noted that in this segment the average loan / security ratio for the total portfolio was 58% at the end of 2013.

The following table presents the credit-at-risk and impairment cover ratios in the balance sheet by market segment, as well as each segment's contribution to the gross loan portfolio.

1) Annual change in outstanding credit-at-risk, adjusted by write-offs.
2) Corporate Banking and Project Finance in Portugal.
3) Loan portfolio of Madrid Branch (corporates and project finance).
4) Consumer credit, credit cards and car financing.

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

	2012				2013			
	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover
Domestic activity								
Companies in Portugal	25%	290	4.3%	103%	22%	369	6.7%	90%
Madrid branch	7%	125	6.6%	57%	7%	213	12.3%	77%
Public Sector	8%	40	1.8%	24%	8%	36	1.8%	21%
Individuals and Small Businesses Banking								
Mortgage loans to individuals	44%	411	3.4%	44%	46%	382	3.3%	57%
Other loans to individuals	4%	46	4.1%	96%	4%	40	4.2%	97%
Small businesses	6%	164	9.5%	84%	6%	158	10.1%	85%
	54%	621	4.2%	59%	56%	580	4.1%	67%
Other	2%	7	1.4%	44%	2%	5	0.8%	210%
Domestic activity	**96%**	**1 082**	**4.1%**	**69%**	**95%**	**1 203**	**5.0%**	**75%**
International activity	**4%**	**75**	**6.5%**	**106%**	**5%**	**74**	**6.5%**	**101%**
Total	**100%**	**1 157**	**4.2%**	**71%**	**100%**	**1 277**	**5.1%**	**77%**

Table 59

Restructured loans

The amount of restructured loans (consolidated) totalled 1 542 M.€ at the close of 2013. Of this amount, 442 M.€ is included in the credit-at-risk balance.

The amount of restructured loans not included in credit-at-risk therefore totals 1 100 M.€, which corresponds to 4.4% of the gross loan portfolio.

Restructured loans

Amounts in M.€

		2013	as % of gross loan portfolio[1]
Amount included in credit at risk	*1*	441.9	1.8%
Performing loans (not included in credit at risk)	*2*	1 100.1	4.4%
Total *[= 1 + 2]*	*3*	**1 542.1**	**6.1%**

Table 60

Impairments cover for defaulting loans

At the end of 2013, the total exposure to loans with arrear instalments of principal or interest amounted to 1 392 M.€ in consolidated terms and corresponded to:

- total arrear loans (principal or interest instalments in arrears for more than 30 days) of 997.2 M.€ which represented 3.7% of the gross loan portfolio;
- portion not yet due in those loan operations of 394.9 M.€.

In average terms, the total exposure to the aforesaid loans (arrear loans and associated instalments falling due) was 85% covered by individual impairments set aside specifically for those loans (657.7 M.€) and by the value of real guarantees (528.2 M.€).

1) According to Bank of Portugal Instruction 32 / 2013. 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).

Loans in arrears and performing loans associated with loans in arrears

Amounts in M.€

		2012			2013		
		Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total
Loans							
In arrears	1	409.4	508.0	**917.4**	403.8	593.4	**997.2**
Falling due loans[1]	2	310.5	197.6	**508.1**	220.4	174.4	**394.9**
Loans *[= 1 + 2]*	3	**719.9**	**705.6**	**1 425.5**	**624.2**	**767.9**	**1 392.1**
Real guarantees[2] (mortgages and other[3])	4	656.8		**656.8**	528.2		**528.2**
Impairments[4]	5	212.7	302.3	**515.0**	210.2	447.4	**657.7**
Loans coverage by collateral and impairments *[= (4 + 5) / 3]*	6	**121%**	**43%**	**82%**	**118%**	**58%**	**85%**

Table 61

Foreclosed properties

In the 4th quarter of 2013, BPI reversed 30 M.€. of impairment allowances for foreclosed properties by virtue of having adjusted these assets' surplus coverage that was identified following the valuation of loan-recovery assets requested by the Bank of Portugal.

At the end of 2013, BPI had a portfolio of foreclosed properties with a gross balance carrying amount of 168.3 M.€. Of this figure, 66.6 M.€ refers to properties repossessed for home-loan recoveries and 101.6 M.€ refers to properties repossessed for the recoupment of other loans.

At 31 December, the accumulated amount of impairments for foreclosed properties amounted to 33.2 M.€, which corresponded to 20% of the gross balance sheet value. Accordingly, the net balance sheet value of these properties was 135.0 M.€, which compares with their market value of 160.4 M.€.

Property repossessed from loans recovery

Amounts in M.€

		2012			2013		
		Housing	Other	Total	Housing	Other	Total
Gross value	1	**61.5**	**100.8**	**162.3**	**66.6**	**101.6**	**168.3**
Impairments	2	26.7	36.7	63.4	2.7	30.5	33.2
Impairments cover *[= 2 / 1]*	3	43%	36%	39%	4%	30%	20%
Net value *[= 1 - 2]*	4	**34.9**	**64.0**	**98.9**	**63.9**	**71.1**	**135.0**
Market value	5	75.3	94.6	169.9	78.5	81.9	160.4

Table 62

1) Performing loans associated with loans in arrears.
2) The amount outstanding was considered when this is lower than the fair value of the real guarantees.
3) Include liens over bank deposits and securities.
4) In the calculation of impairments in mortgage loans in respect of which a legal recovery process has been initiated, the value of fixed properties (deemed) is the execution amount, which is less than the respective market value.

COUNTRY RISK

Management process

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

The Board of Directors' Executive Committee approves the list of countries in respect of which country-risk exposure is authorised and the respective limits. Eligible countries considered are large-sized emerging markets which embrace market economy principles, are open to international trade and are of strategic importance within the framework of international politics.

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
Exposure net of guarantees at 31 December 2013

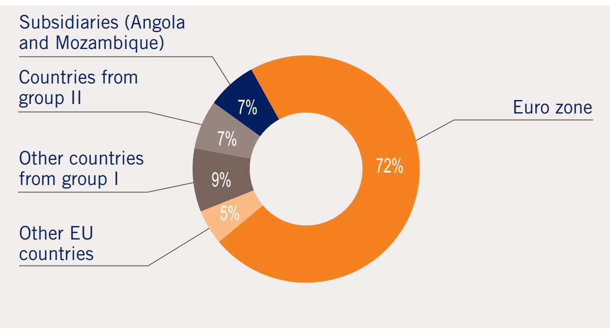


Chart 77

Country risk exposure assessment

Country risk exposure
At 31 December 2013

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from group I					
Euro Zone		4 114.8	9.5	(387.5)	3 736.8
	AAA	559.4	0.8	(6.2)	554.0
	AA	509.3	(0.5)	(24.1)	484.7
	A	0.0	0.0	0.0	0.0
	BBB	3 026.2	9.2	(357.2)	2 678.2
	B	19.7	0.0	0.0	19.7
	CCC	0.3	0.0	0.0	0.3
Other EU countries		310.2	0.8	(45.6)	265.3
	AAA	128.4	0.0	(0.1)	128.4
	AA	180.8	0.8	(45.6)	136.1
	A	0.9	0.0	0.0	0.9
	BBB	0.0	0.0	0.0	0.0
	BB	0.0	0.0	0.0	0.0
Switzerland	*AAA*	191.2	3.0	(2.4)	191.8
USA	*AAA*	219.3	0.0	(2.3)	216.9
Other		13.5	0.7	(0.8)	13.3
Offshores		**38.7**	**0.0**	**(3.7)**	**35.0**
		4 887.6	**14.0**	**(442.3)**	**4 459.3**
Countries from group II					
Brazil	*BBB*	39.7	0.0	(0.5)	39.2
Trade Finance		4.8	0.0	0.0	4.8
Other		34.9	0.0	(0.5)	34.4
Angola	*BB*	392.3	(195.9)	(10.4)	186.0
Trade Finance		68.0	0.0	0.0	68.0
Other		324.3	(195.9)	(10.4)	118.0
Russia	*BBB*	26.7	0.0	0.0	26.7
Turkey	*BBB*	1.9	0.0	0.0	1.9
Mexico	*BBB*	40.9	0.0	(0.1)	40.7
Mozambique	*B*	23.7	0.0	(0.9)	22.8
Venezuela	*B*	16.6	0.0	(3.2)	13.4
Cape Verde	*B*	74.6	(70.7)	0.0	3.9
South Africa	*BBB*	15.5	0.0	(4.0)	11.5
Other		3.5	0.9	(0.1)	4.4
		635.5	**(265.8)**	**(19.3)**	**350.4**
Subsidiaries					
Angola (BFA)		315.5	0.0	0.0	315.5
Mozambique (BCI)		45.0	0.0	0.0	45.0
		360.5	**0.0**	**0.0**	**360.5**
Total		**5 883.6**	**(251.8)**	**(461.6)**	**5 170.2**

Table 63

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.€

	Dec. 12		Dec. 13	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	1.6	8.1	0.4	1.5
Currency risk	0.9	2.0	1.3	1.6
Equities risk	1.0	3.9	1.2	3.3
Commodities risk	0.0	0.02	-	-

Table 64

MARKET RISKS – STRUCTURAL INTEREST RATE RISK POSITION

Management process

The risk management of structural interest rate positions (excluding trading activity) of up to one year has been delegated to the Finance Division within limits fixed by the Executive Committee or the Global Risks Executive Committee.

Long-term structural positions are managed in accordance with the rules laid down by the Executive Committee or the Global Risks Executive Committee.

Structural interest rate risk exposure assessment

The assessment of treasury positions (short term) and structural risk positions relating to interest rates (long term) is based on gap schedules (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 31 December 2013, the repricing gap (of interest rates) accumulated up to 1 year was 4 741 M.€.

Interest rate risk[2]

Structural position, at 31 December of 2013

Amounts in M.€

	Until 1 year	1-2 years	2-5 years	5-7 years	7-15 years	>15 years
Accumulated gap	4 741	4 888	4 255	4 357	4 444	4 491

Table 65

1) Potential maximum loss, with a 99% confidence level, resulting from an unfavourable trend in prices, indices and interest rates over a time span of two weeks, considering in the calculation of overall risk the effect of the correlation of returns. A normal distribution of returns is assumed. Maximum VaR extracted from daily calculations.
2) Customer sight deposits were considered as being not sensitive to the interest rate.

The Bank is structurally exposed to the risk of a fall in interest rates. A classical stress test to a 50 b.p. change in interest rates points to a loss in net interest income of 31 M.€[1].

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 114 M.€.

Foreign exchange rate risk
Structural position, at 31 December of 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	305	483	579	5	1 372
Amounts owed by credit institutions repayable on demand	323	116	3	25	467
Financial assets held for dealing and at fair value through profit and loss	1 051	91	140	14	1 296
Financial assets available for sale	7 735	1 080	1 316	0	10 131
Loans and advances to credit institutions	(57)	1 428	514	1	1 886
Loans and advances to Customers	24 533	655	650	127	25 965
Investments held to maturity	137	0	0	0	137
Hedging derivatives	189	1	0	4	194
Other assets	39	80	2	1	122
	34 254	**3 936**	**3 203**	**177**	**41 570**
Liabilities					
Resources of central banks	4 066	74	0	0	4 140
Financial liabilities held for dealing	252	2	1	(0)	255
Credit institutions' resources	454	998	0	2	1 453
Clients' resources and other loans	18 456	4 060	2 760	219	25 495
Debts evidenced by certificates	2 536	31	0	32	2 598
Financial liabilities associated to transferred assets	1 387	0	0	0	1 387
Hedging derivatives	537	11	0	0	548
Provisions	102	20	1	0	124
Technical provisions	2 690	0	0	0	2 690
Contingent convertible subordinated bonds	920	0	0	0	920
Other subordinated debt	137	0	0	0	137
	31 537	**5 197**	**2 762**	**253**	**39 749**
Forward currency operations	(1 520)	1 369	45	120	14
Structural position		20	347	30	
Stress test[2]		**4**	**104**	**6**	**114**

Table 66

1) This standard test entails the simulation of a 50-basis points drop in the rates of assets and liabilities sensitive to the interest rate on the repricing date and taking into account a one-year time horizon.

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

LIQUIDITY RISK

Management process

Liquidity risk is monitored in terms of its two components: i) in the tradability of the different assets; ii) in its overall context, whereby liquidity risk is defined at grassroots level as the (in)ability to monitor the asset's growth and to satisfy treasury requirements 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, in the economic and financial environment, was one of the main priorities in 2013. The balanced liquidity situation was keynote:

- in the intermediation business with Customers, Customer resources (retail deposits and bonds) constitute the principal source of funding, representing 78% and 103% of the domestic operations' and consolidated loan portfolio, respectively;

- the Bank had a portfolio of public debt from Eurozone countries valued at 6.2 th.M.€, at the end of the year, of which 3.5 th.M.€ in Treasury Bills issued by the Portuguese Republic. Funding of this portfolio, which itself is totally discountable at the ECB, is in large part derived from medium-term resources obtained from the ECB (4 th.M.€). During the year, the Bank sold its entire position in Irish public debt (355 M.€);

- the portfolio of assets eligible for funding from the Eurosystem totalled 11.1 th.M.€ at the end of the year. Of that amount, the amount not yet utilised and therefore capable of being converted into immediate liquidity at the ECB was 5.5 th.M.€;

- the net refinancing needs of medium and long-term debt maturing in the next few years are minimal: 1.1 th.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 2.7 th.M.€ of medium and long-term bonds held by BPI in portfolio.

Short-term gap

BPI's short-term funding Gap (domestic activity) changed from -7.5 th.M.€ in December 2012 to -5.9 th. M.€ in December 2013. The chief factors explaining this behaviour were:

- sale of a portfolio of public debt, namely from Portugal and Ireland and reimbursement of a portfolio of corporate issues (+1.2 th.M.€);

- positive change in the commercial Gap of 0.8 th.M.€. This change is justified by the increase in Clients' resources and the gradual reduction in the loan portfolio;

- early repayment of 280 M.€ of contingent capital subordinated bonds subscribed by the State under the recapitalization plan;

- increase in the portfolio of Treasury Bills by 163 M.€;

- redemption of own debt of 69M.€

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

GAP at 31 Dec. 12	**(7 490)**
Change in commercial liquidity GAP	849
Redemption of own debt	(69)
Redemption of bonds held	1 234
Change in Treasury Bills portfolio	(163)
Reimbursement of contingent capital	(280)
GAP at 31 Dec. 13	**(5 920)**

Table 67

At the end of 2013, short-term funding was broken down as follows:

- net debtor position on the money market of 1.1 th.M.€ and security repos of 0.8 th.M.€;
- funding from the ECB of 4.2 th.M.€.

Financing of short term liquidity position Amounts in M.€

			2012	2013
Short term lending				
Loans to credit institutions		1	72	250
	[=1]	2	**72**	**250**
Short term borrowing				
Money market		3	(1 644)	(1 339)
Repos		4	(1 713)	(831)
	[= 3 + 4]	5	**(3 357)**	**(2 170)**
Euro commercial paper		6	(20)	0
Funding from the ECB (net of deposits)		7	(4 186)	(4 000)
	[= Σ 5 to 7]	8	**(7 562)**	**(6 170)**
Total short term gap	[= 1 + 8]	9	**(7 490)**	**(5 920)**

Table 68

ECB funding

The Bank had, at the end of 2013, 4 000 M.€ of ECB funding, corresponding to the two extraordinary liquidity-injection operations carried out in December 2011 and February 2012. These operations are due at the beginning of 2015.

These resources are allocated to the financing of the public-debt securities portfolio held by the Bank.

Portfolio of assets eligible for Eurosystem funding

At the end of 2013, BPI had at its disposal a portfolio of assets eligible for the Eurosystem worth 11 138 M.€ (figures net of price appreciation and haircuts).

Taking into account the portfolio utilisations on that date for repo operations, for the collateralisation of various obligations and for funding from the ECB, BPI had at its disposal the means to raise additional funding from the ECB of 5 487 M.€.

Assets eligible for the Eurosystem Amounts in M.€

			2012	2013
Total eligible assets[1]		1	**11 783**	**11 138**
of which: assets given as collateral[2]		2	2 087	1 596
Net eligible assets	[= 1 - 2]	3	**9 696**	**9 542**
Used as collateral in funding with ECB		4	4 233	4 055
Available eligible assets	[= 3 - 4]	5	**5 463**	**5 487**

Table 69

The reduction of the portfolio of eligible assets during 2013 reflects:

- the exclusion of a portfolio of bank loans, taking into account the increase in the required operationality combined with the gap of existing free collateral;
- the change in the Treasury Bills portfolio;
- the sales of Portuguese and Irish public debt carried out during the year.

Assets eligible for the Eurosystem funding

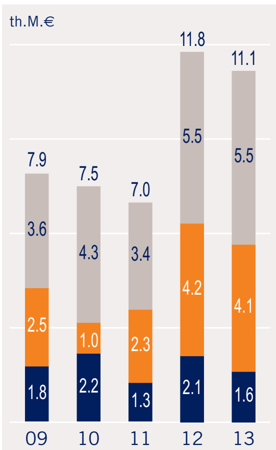


Chart 78

- Available assets (not used)
- Assets used in:
  - Financing with ECB
  - Repo operations

Net financing with the ECB

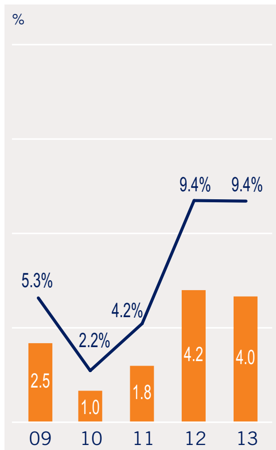


Chart 79

- Net financing with the ECB (th.M.€)
- as % of consolidated total assets

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.

Prospects for the background of the liquidity situation in 2014

In 2014, the money market should keep the improving trend, with an increase in the number of counterparties available to operate in Portugal. The access to medium and long term financing should also strengthen, with the international investors showing a growing interest in these assets.

The bank should maintain a solid liquidity situation, while preserving independence from the markets to finance its commercial activity.

As for 2014, the Bank's medium and long-term net refinancing needs are only 91 M.€, explained by redemptions of own debt of 179 M.€ and of bonds portfolio of 88 M.€. Additionally, BPI intends to reimburse until the end of 2014 the totality of the contingent convertible subordinated bonds (CoCo), which currently amount to 420 M.€[1].

The refinancing of medium and long-term debt needs arising between 2014 and 2018 are not material: 1.1 th.M.€. It is also worth noting that in 2019 there will be a significant release of liquidity with the redemption of 2.7 th.M.€ of medium and long-term bonds held by BPI in portfolio.

BPI medium and long-term debt repayments net of bonds portfolio redemptions

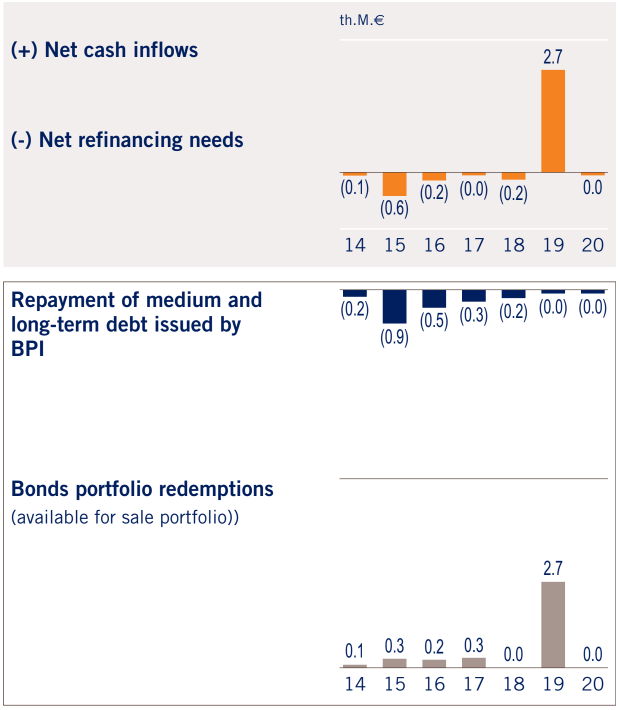


Chart 80

1) After reimbursement of 500 M.€ realized in March 2014.

OPERATIONAL RISKS

Management process

Operational risk, defined as the risk of incurring financial losses provoked by deficiencies (shortcomings) in the definition or execution of procedures, failures in the information systems or as a consequence of external factors, is inherent to the activities of all institutions.

In BPI Group the management of operational risk is in the first instance the responsibility of the Executive Committee of the Board of Directors, and is operationally delegated to the Operational Risk Committee. This Committee periodically approves and reviews the principles for the identification, evaluation, control, monitoring and mitigation of operational risk as a specific risk category.

During 2013, the management model adopted has not changed significantly, being based on a self-evaluation system of the risks associated with processes by their managers, and in the decentralised recording of occurrences (irregularities), carried out directly by the areas where this risk occurs. Each Division appoints local operational risk managers and pivots, responsible for the identification of operational risks and for prescribing the mitigating measures.

The Operational Risk Management team, integrated in the Analysis and Control of Operational Risk Area from the Organisation and Quality Division, besides ensuring compliance with the governance model instituted, coordinates the local operational risk managers, providing the support necessary for the implementation of the respective procedures. Additionally, in this area, there are two teams dedicated to specific aspects of operational risk: Business Continuity and Information Security.

Assessment of exposure to operational risk

The recording of operational risk occurrences allows to access process efficiency and the decentralization of this process fosters a greater awareness of this type of risk.

The risk profile of the occurrences, with actual losses, recorded in 2013, by type of cause, is the following[5]:

Losses associated with the occurrence of operational risk in 2013
Breakdown by frequency

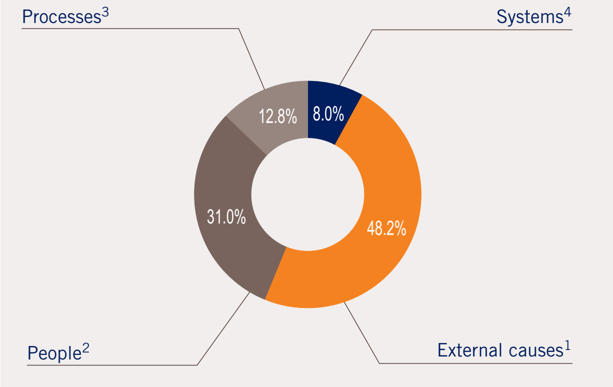


Chart 81

Losses associated with the occurrence of operational risk in 2013
Breakdown by loss amount

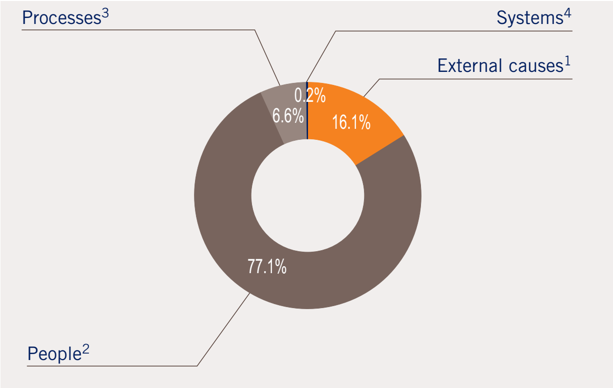


Chart 82

1) External criminal activity, failures in the provision of contracted services and natural disasters.
2) Human failure in the execution of tasks and unauthorized intentional Employee behavior.
3) Failures in the definition of policies and / or procedures.
4) Failures in IT and communication systems.
5) These data are valid on the date of the compilation of the report, being subject to alterations according to the evolution of each process.

Business continuity

In conformity with the supervisory entities' recommendations, a series of policies and procedures of Business Continuity Management are established which aim to ensure the maintenance of BPI's continuous functioning, or – should this be totally impossible – to guarantee the timely recovery of business activity, minimising the impact on business.

The BPI Group's Management of Business Continuity is the direct responsibility of the Executive Committee of the Board of Directors and is vested in specific bodies: at central level in the Business Continuity Committee and in a permanent area of the Management of Business Continuity and, at each one of the Group's bodies, in local operational risk managers and pivots who undertake the identification of the critical activities and the implementation of the business continuity plans which guarantee in the respective areas the pursuit of such activities in a contingency situation.

The Business Continuity Plans detail the strategy for BPI's response to events capable of undermining the safety of persons and other assets, or of provoking disruption to normal functioning, identifying the alternative procedures and resources which guarantee the continuity of critical activities.

We emphasise the existence of alternative technological platforms for the computer and communication systems, assuring the Bank's functioning even under contingency conditions.

The Business Continuity Plans and the information supporting them are stored outside the Bank in redundancy systems, available and accessible to the respective managers at any moment and from any place.

In 2013, the Bank proceeded to the review and testing of business continuity plans, introducing optimizations that increase the effectiveness of the response to unforeseen incidents.

The Bank has also changed the contingency solutions of some of its IT systems considered critical. The two trials for the activation of IT contingency platforms confirmed the improvements in the procedures and processes of recovery. It was initiated, with the support of a technology partner, the definition of the model for the evolution of the contingency technological solutions with a view of better supporting ongoing operations according to the requirements of the business model.

Information Security

The General Policy for the Information Security, aligned with best practices for the Information Security Management, determines the procedures and controls to ensure the confidentiality, integrity and availability of the information of the Bank and its Customers. In the context of operational risk management, it is implemented a model for the identification, assessment, mitigation and monitoring the risk of systems and security information.

In 2013 stood out the strengthening of the security monitoring systems and the ability to detect and respond to cyber-attacks.

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 Bank of Portugal, through the circular-letters 97 / 08 / DSBDR of 3 December 2008 and 58 / 09 / DSBDR of 5 August 2009, has recommended that, in the accounting reporting, a separate chapter or a specific annex is prepared as part of the Annual and Interim Reports, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to the Bank of Portugal's circular-letter 46 / 08 / DSBDR.

In order to comply with the Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the Report and Accounts for 2013.

Recommendation summary	Cross-reference for Annual Report 2013
I. BUSINESS MODEL 1. Description of the business model	*DR – Financial and business structure, page 14.*
2. Description of strategies and objectives	*DR – Presentation of the report, page 7; Financial review, page 59; Risk Management, page 93.*
3. Description of the importance of the operations carried out and the respective contribution to business	*DR – Domestic Commercial Banking, page 38; Bancassurance, page 46; Asset management, page 47; Investment banking, page 49; International activity, page 53; Financial review, page 59;* *NFS – 3. Segment reporting, page 145.*
4. Description of the type of activities undertaken	*DR – Domestic Commercial Banking, page 38; Bancassurance, page 46; Asset management, page 47; Investment banking, page 49; International activity, page 53; Background to operations, page 29; Financial review, page 59; Risk Management, page 93.*
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken.	
II. RISK AND RISK MANAGEMENT 6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments utilised	*DR – Risk Management, page 93;* *NFS – 4.48. Financial Risks, page 207 and following.*
7. Description of major risk-management practices in operations	*DR – Risk Management, page 93;* *NFS – 4.48. Financial Risks, page 207 and following;* *CGovR – III. Internal Control and Risk Management, page 294.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS 8. Qualitative and quantitative description of the results	*DR – Financial review, page 59.*
9. Breakdown of the "write-downs" / losses by types of products and instruments affected by the period of turbulence	*NFS – 4.5. Available-for-sale financial assets, page 156, 4.7. Loans to Customers, page 163, 4.20. Provisions and impairments, page 183, 4.40. Net gains / losses from financial operations, page 201; 4.48 Financial Risks, page 207.*
10. Description of the reasons and factors responsible for the impact suffered	*DR – Financial review, page 59; Background to operations, page 29.*
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	*DR – Financial review, page 59.*
12. Breakdown of the write-downs between realised and unrealised amounts	*DR – Financial review, page 59;* *NFS – 4.5. Available-for-sale financial assets, page 156; 4.7. Loans to Customers, page 163; 4.40. Net gains / losses from financial operations, page 201 and 4.20. Provisions and impairments, page 183.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	*DR – Banco BPI Share, page 116.*
14. Disclosure of the maximum loss risk	*DR – Risk Management, page 93;* *NFS – 4.48. Financial Risks, page 207 and following.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	*DR – Financial review, pages 77 and 87.* *The Bank did not revalue its liabilities.*

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

Recommendation summary	Cross-reference for Annual Report 2013
IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD 16. Nominal value (or amortised cost) and fair value of exposures	*NFS – 4.48. Financial Risks, page 207 and following and 4.5 Available-for-sale financial assets, page 156.*
17. Information about credit risk mitigation and respective effects on existing exposures	*DR – Risk Management, page 93 and following.*
18. Detailed disclosure of exposures	*DR – Risk Management, page 93;* *NFS – 4.48. Financial Risks, page 207 and following, 4.5. Available-for-sale financial assets, page 156 and 4.7. Loans to Customers, page 163.*
19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)	*DR – Financial review, pages 76 and 91.*
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 31 December 2013, BPI's exposure to mono-line insurers was totally indirect and stemmed from the existence of a portfolio position, the interest and principal of which were unconditionally guaranteed by this type of company. There were no losses worth noting, given that this security was not in default. At the end of 2013, BPI exposure to mono-line insurers amounted to 5.5 M.€ (book value).*
V. ACCOUNTING AND VALUATION POLICIES 22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment	*NFS – 2.2. Financial assets and liabilities, page 134; 2.2.3. Available-for-sale financial assets, page 135; 2.2.4. Loans and other receivables, page 136; 4.19. Financial liabilities associated with transferred assets, page 180.*
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the turbulent period	*The vehicles through which Banco BPI's debt securitisation operations are effected are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held of the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	*NFS – 4.48. Financial Risks, page 207 and following.*
25. Description of the modelling techniques utilised for valuing financial instruments	*NFS – 2.2. Financial assets and liabilities, page 134 and 4.48. Financial Risks, page 207 and following.*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS 26. Description of disclosure policies and principles which are used in financial reporting	*GovR – IV. Investor Relations, page 297.*

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

Banco BPI Shares

STOCKMARKET PERFORMANCE

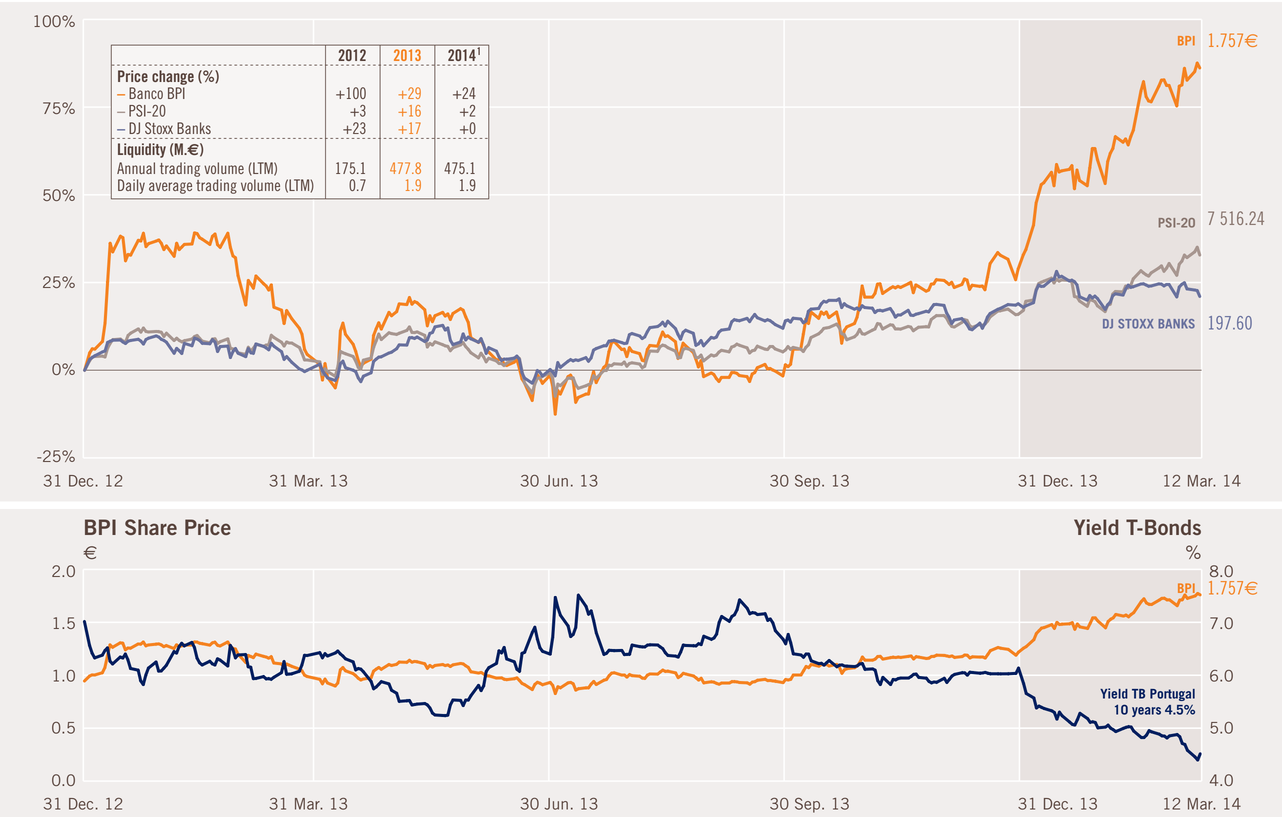
Banco BPI shares advanced 29% on the stock market in 2013, closing the year at 1.216 euro. In the same period, the European banking sector, represented by the DJ Europe Stoxx Banks, gained 17% while the Portuguese PSI-20 index advanced 16%.

The share's behaviour during the year benefited from the ability demonstrated by the Bank in redeeming CoCo ahead of the timetable initially envisaged. In addition, BPI has already complied with the most demanding capital requirements scheduled for 2019 (CRD IV fully implemented), as well as maintaining its assets-quality indicators on a par with those of the best Iberian banks.

Banco BPI shares
Selected indicators

	2012	2013
Data per share (€)[1]		
Cash flow after taxation	0.510	0.259
Net profit	0.216	0.048
Dividend	-	-
Book value	1.235	1.389
Weighted average no. of shares (in millions)[1]	1 154.6	1 383.7
Market valuation indicators		
Price as a multiple of:		
Cash flow after taxation (PCF)	1.9	4.7
Net profit (P / E)	4.4	25.2
Book value (PBV)	0.8	0.9
Earnings yield[2]	45.8%	5.1%
Stock market capitalisation (M.€)	1 310.8	1 690.2

Table 70



	2012	2013	2014[1]
Price change (%)			
– Banco BPI	+100	+29	+24
– PSI-20	+3	+16	+2
– DJ Stoxx Banks	+23	+17	+0
Liquidity (M.€)			
Annual trading volume (LTM)	175.1	477.8	475.1
Daily average trading volume (LTM)	0.7	1.9	1.9

Figure 4

1) Amounts adjusted for capital increases with cash contribution in June 2012 and through the incorporation of reserves in May 2011.
2) Earnings per share recorded in the year divided by the BPI share price at 31 December of the preceding year.
3) Until 12 March 2014.

The contraction of the income base, the cost of the CoCo and the historically high credit-risk cost have impeded, on the other hand, the recovery in earnings and profitability in domestic operations, thereby impacting the share's behaviour.

The performance of the bank's share remained equally sensitive to yield changes of Portuguese TB via its direct export to sovereign bonds and as a reflection of the perception of Risk-Portugal. The uncertainty surrounding the final details of the Asset Quality Review and the Stress tests to be carried out in 2014, respectively by the ECB and the EBA, was also another of the factors impacting the share's performance during the year.

TREASURY SHARES

Banco BPI manages a portfolio of own shares created for the purpose of executing the (variable-remuneration) scheme (Portuguese initials RVA) for Employees and executive directors. In this regard, the transactions referred to below were realised in 2013.

At the end of 2013, Banco BPI held 6 117 252 treasury shares (0.44% of capital).

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

Treasury shares transactions in 2013

Valor e preço em euros

	No. shares held (31 Dec. 12)	Acquisition			Disposal			Total turnover (amount	No. shares held (31 Dec. 13)[2]
		Quantity	Amount	Average price	Quantity	Amount	Average price		
Banco BPI (over-the-counter)[1]	6 492 950	-	-	-	375 698	455 274	1.21	375 698	6 117 252
Banco Português de Investimento	0	146 224	164 211	1.12	146 224	163 444	1.12	292 448.0	0
Over-the-counter		-	-	-	21 000	24 066	1.15	21 000.0	
In the stock exchange		146 224	164 211	1.12	125 224	139 378	1.11	271 448.0	
Total	**6 492 950**	**146 224**	**164 211**	**1.12**	**521 922**	**618 718**	**1.19**	**668 146**	**6 117 252**
% of share capital	0.47%	0.01%			0.04%			0.05%	0.44%

Table 71

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

Listing on the Euronext Lisbon
Index weighting (31 Dec. 13)
PSI-20: 2.03%
Next 150: 1.08%[2]

1) Over-the-counter trades only.
2) The balance of treasury shares at the end of 2013 does not include 36 865 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.
3) At 8 January 2014.

Rating

Banco BPI's credit ratings did not suffer any changes during 2013.

In January 2014, Moody's upgraded the outlook for BPI's rating from negative to stable. In this isolated initiative relating to BPI, Moody's underlines that the Bank's credit profile should be sufficiently resilient against eventual additional pressures impacting asset quality and profitability.

Also in January 2014, S&P removed the ratings of BPI and other Portuguese banks from Creditwatch with negative repercussions, where it had placed them in September 2013 in the wake of the identical action involving the Republic's rating.

The current long-term credit ratings attributed to BPI by Moody's and Fitch are equivalent to those for the Republic. In the case of Standard & Poor's, BPI's rating is one notch below that of the Republic.

	FitchRatings	Moody's	Standard & Poor's
Banco BPI credit rating			
Long term	BB+	Ba3	BB-
Short term	B	Not prime	B
Outlook	Negative	Stable	Negative
Individual rating	Viability rating bb-	Financial strength (BFSR) E+	Stand-alone credit profile (SACP) bb-
Collateralised senior debt			
▪ Mortgage	BBB+	Baa3	A-
▪ Public sector		Baa3	BB-
Non-collateralised senior debt		Ba3	BB-
▪ Long term	BB+		
▪ Short term	B		
Subordinated debt	B+	B2	B-
Subordinated junior debt		B3	
Papel Comercial	B		B
Other short-term debt		Not prime	B
Preference shares	CCC	Caa1 (hyb)	CCC-
Portuguese Republic sovereign risk			
Long term	BB+	Ba3	BB
Short term	B	Not prime	B
Outlook	Negative	Stable	Negative

Figure 5

Fitch Ratings: rating decision on 25 November 2011. On the 10th July 2013, Fitch Ratings reaffirmed BPI credit rating notations (LT / ST), with a negative Outlook, and the stand-alone credit rating notation (viability rating).
Moody's: rating decision on 28 March 2012. On the 17th January 2014, Moody's revised BPI credit rating outlook from negative to stable and reaffirmed credit ratings (LT / ST).
Standard & Poor's: rating decision on 14 February 2012. On the 22nd January 2014, Standard & Poor's reaffirmed BPI credit rating notations (LT / ST), with a negative Outlook and removed the LT rating from Creditwatch with negative implications.

Proposed application of results

Whereas:

a) Banco BPI, S.A. reported a consolidated net profit of € 66 838 864 and an individual net loss of € 27 430 905.22 in 2013;

b) Banco BPI' s Long Term Dividend Policy approved at the Annual General Meeting on 19 April 2007, sets out the distribution of an annual dividend, upon a motion to be put by the Board of Directors to the General Meeting, to be not less than 40% of net profit reported in the consolidated accounts for the financial year to which it relates, unless exceptional circumstances require, at the Board of Directors' reasoned discretion, a proposed distribution of a lower dividend;

c) the Policy referred to in the preceding paragraph is temporarily restricted by the provisions of item 6.4 of the Recapitalisation Plan adopted at the General Meeting held on 27 June 2012, at which the Board of Directors foresaw that no dividends or reserves be paid until the hybrid instruments to be issued under the recapitalisation operation are fully amortised, and also by the provisions, to the same effect, of item 11.1 a) of the Terms and Conditions of the core tier I Capital Instruments Subscribed by the State approved by Order of the Minister of State and Finance no. 8840-A / 2012;

d) Banco BPI's net worth, as evinced in its individual balance sheet as at 31 December 2013, which forms part of the report and accounts examined under item 1 of the agenda of the April 23, 2014 General Meeting, includes losses brought forward totaling € 9 440 972.26, as a result of the amortisation of the impacts of the transitioning to IAS registered in 2013;

In view of the preceding paragraphs, the Board of Directors proposes that:

1. the € 27 430 905.22 loss reported in the individual accounts for the 2013 financial year, be transferred to item "Profit (Loss) Carried Forward";

2. that in order to cover the amount of € 36 871 877.48 euros of loss carried forward in the aforesaid item "Profit (Loss) Carried Forward", € 36 871 877.48 be transferred thereto from item "Other Reserves".

The Board of Directors

Final acknowledgements

The creation of conditions for the early redemption of the contingent convertible bonds subscribed by the State under the Bank's capitalisation and funding programme, constituted one of the chief priorities in the conduct of BPI's affairs during the year under review. This entailed the return to the State of more than seventy per cent of the amount initially subscribed. The Bank now chooses as its priority goal the complete repayment of the remaining debt by the end of 2014.

The Bank continued to devote indispensable attention to the defence and broadening of the Customer base and to commercial innovation in priority segments – amongst which financing for companies and in particular for SME's – and, through the reinforcement of corporate social responsibility initiatives, it fully discharged its commitment to society, its problems and aspirations.

The Board expresses its gratitude to the cooperation received from the Authorities, to the hard work and professionalism of the Group's Employees and to the loyalty of its Customers.

Lisboa, 20 March 2014

Board of Directors

Consolidated financial statements

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2013 AND 2012

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

		31 Dec. 13			31 Dec. 12
	Notes	Amounts before impairment, depreciation and amortisation	Impairment, depreciation and amortisation	Net	Net
ASSETS					
Cash and deposits at central banks	4.1	1 372 211		1 372 211	1 269 365
Deposits at other credit institutions	4.2	466 859		466 859	453 438
Financial assets held for trading and at fair value through profit or loss	4.3 / 4.4	1 295 780		1 295 780	1 111 646
Financial assets available for sale	4.5	9 780 900	86 671	9 694 229	10 252 882
Loans and advances to credit institutions	4.6	1 886 072	2	1 886 070	1 710 727
Loans and advances to Customers	4.7	26 897 068	931 935	25 965 133	27 345 473
Held to maturity investments	4.8	136 877		136 877	445 298
Hedging derivatives	4.4	194 043		194 043	280 737
Other tangible assets	4.9	718 694	521 357	197 337	210 689
Intangible assets	4.10	107 793	88 644	19 149	14 017
Investments in associated companies and jointly controlled entities	4.11	221 992		221 992	202 255
Tax assets	4.12	539 692		539 692	617 692
Other assets	4.13	746 467	36 089	710 378	650 362
Total assets		**44 364 448**	**1 664 698**	**42 699 750**	**44 564 581**
LIABILITIES					
Resources of central banks	4.14			4 140 068	4 270 918
Financial liabilities held for trading	4.15 / 4.4			255 245	340 164
Resources of other credit institutions	4.16			1 453 249	2 568 421
Resources of Customers and other debts	4.17			25 494 961	24 621 139
Debt securities	4.18			2 598 455	3 787 627
Financial liabilities relating to transferred assets	4.19			1 387 296	1 590 984
Hedging derivatives	4.4			548 458	814 983
Provisions	4.20			123 780	138 398
Technical provisions	4.21			2 689 768	2 255 364
Tax liabilities	4.22			57 577	120 176
Contingent convertible subordinated bonds	4.23			920 433	1 200 279
Other subordinated debt and participating bonds	4.24			136 931	156 331
Other liabilities	4.25			587 199	639 153
Total liabilities				**40 393 420**	**42 503 937**
SHAREHOLDERS' EQUITY					
Subscribed share capital	4.27			1 190 000	1 190 000
Share premium account	4.28				
Other equity instruments	4.29			3 414	8 558
Revaluation reserves	4.30			(362 280)	(507 614)
Other reserves and retained earnings	4.31			1 041 005	786 175
(Treasury shares)	4.29			(17 090)	(18 272)
Consolidated net income of the BPI Group	4.46			66 839	249 135
Shareholders' equity attributable to the shareholders of BPI				**1 921 888**	**1 707 982**
Minority interests	4.32			384 442	352 662
Total shareholders' equity				**2 306 330**	**2 060 644**
Total liabilities and shareholders' equity				**42 699 750**	**44 564 581**

OFF BALANCE SHEET ITEMS			
Guarantees given and other contingent liabilities	4.7 / 4.31	2 106 771	2 390 359
Of which:			
[Guarantees and sureties]		[1 832 700]	[2 185 640]
[Others]		[274 071]	[204 719]
Commitments	4.31	3 020 342	2 546 845

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

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF INCOME
FOR YEARS ENDED 31 DECEMBER 2013 AND 2012

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	Notes	31 Dec. 13	31 Dec. 12
Interest and similar income		1 403 549	1 879 695
Interest and similar expenses		(958 858)	(1 330 777)
Financial margin (narrow sense)	**4.34**	**444 691**	**548 918**
Gross margin on unit links	4.35	3 010	2 671
Income from equity instruments	4.36	3 657	3 481
Net commission relating to amortised cost	4.37	23 772	27 525
Financial margin		**475 130**	**582 595**
Technical result of insurance contracts	4.38	24 756	23 012
Commissions received		309 243	330 378
Commissions paid		(41 482)	(44 285)
Other income, net		42 580	46 211
Net commission income	**4.39**	**310 341**	**332 304**
Gain and loss on operations at fair value		125 055	229 292
Gain and loss on assets available for sale		132 281	169 014
Interest and financial gain and loss with pensions		4 193	3 067
Net income on financial operations	**4.40**	**261 529**	**401 373**
Operating income		13 245	16 574
Operating expenses		(29 229)	(20 173)
Other taxes		(7 681)	(5 673)
Net operating income	**4.41**	**(23 665)**	**(9 272)**
Operating income from banking activity		**1 048 091**	**1 330 012**
Personnel costs	4.42	(386 806)	(372 779)
General administrative costs	4.43	(232 361)	(233 413)
Depreciation and amortisation	4.9 / 4.10	(31 376)	(33 074)
Overhead costs		**(650 543)**	**(639 266)**
Recovery of loans, interest and expenses		17 602	15 530
Impairment losses and provisions for loans and guarantees, net	4.20	(272 648)	(269 385)
Impairment losses and other provisions, net	4.20	12 029	(36 773)
Net income before income tax		**154 531**	**400 118**
Income tax	4.44	(20 421)	(88 294)
Earnings of associated companies (equity method)	4.45	27 099	23 816
Global consolidated net income		**161 209**	**335 640**
Income attributable to minority interests	4.32	(94 370)	(86 505)
Consolidated net income of the BPI Group	**4.46**	**66 839**	**249 135**

Earnings per share (in euro)			
Basic		0.048	0.216
Diluted		0.048	0.214

The accompanying notes form an integral part of these statements.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEARS ENDED 31 DECEMBER 2013 AND 2012

	31 Dec. 13		
	Attributable to shareholders of the BPI Group	**Attributable to minority interests**	**Total**
Consolidated net income	**66 839**	**94 370**	**161 209**
Income not included in the consolidated statements of income:			
Items that will not be reclassified to net income			
Actuarial deviations	(5 134)		(5 134)
Tax effect	2 164		2 164
	(2 970)		**(2 970)**
Items that may be reclassified subsequently to net income:			
Foreign exchange translation differences	(21 154)	(21 030)	(42 184)
Revaluation reserves of financial assets available for sale:			
Revaluation of financial assets available for sale	361 381		361 381
Tax effect	(104 110)		(104 110)
Transfer to income resulting from sales	(130 703)		(130 703)
Tax effect	38 254		38 254
Transfer to income resulting from impairment recognized in the period	2 359		2 359
Tax effect	(693)		(693)
Valuation of assets of associated companies	7 515		7 515
Tax effect	(2 166)		(2 166)
	150 683	**(21 030)**	**129 653**
Income not included in the consolidated statements of income	**147 713**	**(21 030)**	**126 683**
Consolidated comprehensive income	**214 552**	**73 340**	**287 892**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	31 Dec. 12		
	Attributable to shareholders of the BPI Group	**Attributable to minority interests**	**Total**
	249 135	**86 505**	**335 640**
	32 691		32 691
	(10 700)		(10 700)
	21 991		**21 991**
	(9 400)	(5 543)	(14 943)
	1 211 348		1 211 348
	(349 477)		(349 477)
	(167 438)		(167 438)
	48 340		48 340
	14 827		14 827
	(4 281)		(4 281)
	29 776		29 776
	(8 520)		(8 520)
	765 175	**(5 543)**	**759 632**
	787 166	**(5 543)**	**781 623**
	1 036 301	**80 962**	**1 117 263**

The accompanying notes form an integral part of these statements.

The Board of Directors

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEARS ENDED 31 DECEMBER 2013 AND 2012

	Subscribed share capital	Share premium account	Other equity instruments	Revaluation reserves
Balance at 31 December 2011	**990 000**	**128 432**	**8 030**	**(1 251 533)**
Appropriation of net income for 2011 to reserves				
Use of share premium account to cover negative retained earnings		(128 432)		
Share capital increase	200 000			
Dividends paid on preference shares				
Dividends paid to minority interests				
Variable Remuneration Program (RVA)			528	
Sale / purchase of treasury shares				
Sale / purchase of preference shares				
Consolidation of BPI Alternative Fund				
Consolidation of BPI Obrigações Mundiais Fund (ex-BPI Taxa Variável Fund)				
Comprehensive income for 2012				743 919
Other				
Balance at 31 December 2012	**1 190 000**		**8 558**	**(507 614)**
Appropriation of net income for 2012 to reserves				
Dividends paid on preference shares				
Dividends paid to minority interests				
Variable Remuneration Program (RVA)			(5 144)	
Sale / purchase of treasury shares				
Sale / purchase of preference shares				
Consolidation of BPI Alternative Fund				
Consolidation of BPI Alternative Fund Luxembourg				
Comprehensive income for 2013				145 334
Other				
Balance at 31 December 2013	**1 190 000**		**3 414**	**(362 280)**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	Other reserves and retained earnings	Treasury shares	Net income	Minority Interests	Shareholders' equity
	900 312	**(21 020)**	**(284 871)**	**353 038**	**822 388**
	(284 871)		284 871		
	128 432				
					200 000
				(1 319)	(1 319)
				(64 181)	(64 181)
		2 748			3 276
	(1 752)				(1 752)
	747			(2 065)	(1 318)
				(3 105)	(3 105)
				(10 668)	(10 668)
	43 247		249 135	80 962	1 117 263
	60				60
	786 175	**(18 272)**	**249 135**	**352 662**	**2 060 644**
	249 135		(249 135)		
				(1 088)	(1 088)
				(50 626)	(50 626)
		1 182			(3 962)
	3 396				3 396
	(3)			42	39
	(36)			(8 211)	(8 247)
				18 288	18 288
	2 379		66 839	73 340	287 892
	(41)			35	(6)
	1 041 005	**(17 090)**	**66 839**	**384 442**	**2 306 330**

The accompanying notes form an integral part of these statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

	31 Dec. 13	31 Dec. 12
Operating activities		
Interest, commissions and similar income received	2 625 073	2 712 437
Interest, commissions and similar expenses paid	(1 657 002)	(1 525 462)
Recovery of loans and interest in arrears	17 602	15 530
Payments to personnel and suppliers	(600 530)	(629 013)
Net cash flow from income and expenses	385 143	573 492
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	1 172 033	(1 716 410)
Loans and advances to credit institutions	(178 036)	617 822
Loans and advances to Customers	1 196 716	1 456 422
Other assets	(127 823)	(121 096)
Net cash flow from operating assets	2 062 890	236 738
Increase (decrease) in:		
Resources of central banks and other credit institutions	(1 269 359)	2 235 577
Resources of Customers	1 308 346	(418 843)
Financial liabilities held for trading	(84 934)	(114 075)
Other liabilities	(335 652)	161 656
Net cash flow from operating liabilities	(381 599)	1 864 315
Contributions to the Pension Funds	(2 975)	(40 695)
Income tax paid	(69 381)	(31 411)
	1 994 078	**2 602 439**
Investing activities		
Purchase of other tangible assets and intangible assets	(35 371)	(35 314)
Sale of other tangible assets	96	414
Dividends received and other income	14 077	20 071
	(21 198)	**(14 829)**

The accompanying notes form an integral part of these statements.

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	31 Dec. 13	31 Dec. 12
Financing activities		
Liability for assets not derecognised	(202 661)	(587 955)
Issuance of contingent convertible subordinated bonds		1 500 000
Redemption of contingent convertible subordinated bonds	(280 000)	(300 000)
Issuance of debt securities and subordinated debt	195 333	937 395
Redemption of debt securities	(1 667 139)	(3 567 324)
Purchase and sale of own debt securities and subordinated debt	330 410	(282 040)
Purchase and sale of preference shares		(1 015)
Interest on contingent convertible subordinated bonds	(84 785)	(55 581)
Interest on debt securities and subordinated debt	(95 436)	(173 865)
Increase in share capital		
Nominal value		200 000
Dividends paid on preference shares	(1 088)	(1 319)
Dividends distributed to minority interests	(50 626)	(64 181)
Purchase and sale of treasury shares	(566)	1 523
	(1 856 558)	**(2 394 362)**
Net increase (decrease) in cash and equivalents	116 322	193 248
Cash and equivalents at the beginning of the year	1 722 717	1 529 469
Cash and equivalents at the end of the year	**1 839 039**	**1 722 717**

The accompanying notes form an integral part of these statements.

The Accountant

Alberto Pitôrra

The Board of Directors

Chairman Artur Santos Silva

Deputy-Chairman Fernando Ulrich

Members Alfredo Rezende de Almeida
António Domingues
António Farinha Morais
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
Juan María Nin
Klaus Dührkop
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Tomaz Jervell

Notes to the consolidated financial statements as of 31 December 2013 and 2012

(Unless otherwise indicated, all amounts are expressed in thousands of euro – th. euro)
(These notes are a translation of notes originally issued in Portuguese – note 5)

1. THE FINANCIAL GROUP

Banco BPI is the central entity of a multi-specialised financial group dedicated to banking, which provides a broad range of banking services and products to companies, institutional investors and private individuals. Banco BPI has been listed on the Stock Exchange since 1986.

The BPI Group started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On 30 November 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI – SGPS, S.A., which operated exclusively as the BPI Group's holding company, and BPI Investimentos was founded to act as the BPI Group's investment banking company. On 20 December 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A.

At 31 December 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 2013 the BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux) was established. At 31 December 2013, the BPI Group, through Banco BPI and BPI Investimentos held 78.8% 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 October 2013 the BPI Alternative Fund: Iberian Equities Long / Short Fund (Portugal) was liquidated, its operations now being carried out by BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux).

In 2013 the BPI Group increased its participation to 100% of the share capital of BPI Dealer – Sociedade Financeira de Corretagem (Mozambique), through acquisition of 10.5% of the share capital of that company, previously owned by Banco Comercial e de Investimentos (Mozambique). The company name, BPI Dealer – Sociedade Financeira de Corretagem (Moçambique), was changed to BPI Moçambique – Sociedade de Investimento, S.A.

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 31 December 2013 the BPI Group was made up of the following companies:

	Head office	Share-holders' equity	Total assets	Net Income (loss) for the year	Direct partici-pation	Effective partici-pation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 304 962	41 173 146	(27 431)			
Banco Português de Investimento, S.A.	Portugal	63 241	1 336 902	4 956	100.00%	100.00%	Full consolid.
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	149 889	2 029 799	34 288	29.70%	30.00%	Equity Method
Banco de Fomento Angola, S.A.	Angola	629 831	6 459 246	177 836	50.08%	50.10%	Full consolid.
Banco BPI Cayman, Ltd.	Cayman Islands	158 121	190 658	1 869		100.00%	Full consolid.
Asset management companies and dealers							
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	Portugal	17 439	30 268	7 006	100.00%	100.00%	Full consolid.
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 266	3 065	792	100.00%	100.00%	Full consolid.
BPI (Suisse), S.A.	Switzerland	9 058	9 997	4 116		100.00%	Full consolid.
BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux)	Luxembourg	89 290	93 028	2 997		78.81%	Full consolid.
Venture capital companies							
BPI Private Equity – Sociedade de Capital de Risco, S.A.	Portugal	26 245	28 391	663	100.00%	100.00%	Full consolid.
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 015	1 540	789		49.00%	Equity Method
Insurance companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	122 126	3 403 276	52 773	100.00%	100.00%	Full consolid.
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	55 871	120 562	11 727	50.00%	50.00%	Equity Method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	273 927	1 215 299	29 991	35.00%	35.00%	Equity Method
Others							
BPI Capital Finance Ltd.[1]	Cayman Islands	53 653	53 660	1 181	100.00%	100.00%	Full consolid.
BPI Capital Africa (Proprietary) Limited	South Africa	(2 315)	827	(1 568)		100.00%	Full consolid.
BPI, Inc.	U.S.A	1 138	3 731	(139)	100.00%	100.00%	Full consolid.
BPI Locação de Equipamentos, Lda.	Portugal	1 111	1 342	65	100.00%	100.00%	Full consolid.
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	152 930	156 057	91	100.00%	100.00%	Full consolid.
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	(285)	590	(932)	96.54%	100.00%	Full consolid.
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	62 555	77 910	(5 424)	32.78%	32.78%	Equity Method
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	89 696	315 889	9 785	20.65%	21.01%	Equity Method

Note: Unless otherwise indicated, all amounts are as of 31 December 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 19 July of the European Parliament and Council, incorporated into Portuguese legislation through Bank of Portugal Notice 1 / 2005 of 21 February.

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union.

The standards (new or revised) and interpretations applicable to the operations of the BPI Group and reflected in the financial statements as of 31 December 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. In addition, the Statement of Comprehensive Income is now called Statement of Profit and Loss and Other Comprehensive Income. These amendments are mandatory for years beginning on or after 1 July 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 1 January 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 recognised 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 1 January 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 1 January 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 1 January 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 1 January 2013.

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

At 31 December 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 1 January 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 1 January 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 1 January 2014.

- IAS 36 – Impairment: this standard was amended to eliminate the requirements to disclose the recoverable amount of a cash generating unit with goodwill or intangible assets with undefined useful lives allocated to periods in which no impairment loss or impairment reversal was recognised. It introduces additional disclosure requirements for assets for which impairment loss or impairment reversal was recognised and their recoverable amount was determined based on fair value less costs to sell. This amendment is mandatory for years beginning on or after 1 January 2014.

- IAS 39 – Financial Instruments: Recognition and Measurement: this amendment allows, under certain circumstances, continuation of hedge accounting when a derivative designated as an hedging instrument is reformulated. This amendment is mandatory for years beginning on or after 1 January 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 1 January 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 1 January 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 1 January 2014.

- IFRS 10 – Consolidated Financial Statements and IFRS 12 – Disclosure of Interests in Other Entities: changes were made to these standards to exempt the consolidation of certain entities that meet the definition of investment entity. It also establishes rules for measurement of investments held by these investment entities. These standards are of mandatory application for years beginning on or after 1 January 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 1 January 2014.

These standards, although endorsed by the European Union, were not adopted by the BPI Group at 31 December 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 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

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, IAS 39, IFRS 7 and IFRS 13)

Financial assets and liabilities are recognised in the BPI Group's balance sheet on the trade or contracting date, unless there is an express contractual stipulation or applicable legal or regulation regime under which the transactions' inherent rights and obligations are transferred at a different date, in which case the latter date is applicable.

Financial assets and liabilities are initially recorded at fair value plus direct transaction costs, except for assets and liabilities that have been recognised at fair value through profit or loss, in which case the transaction costs are immediately recorded in the statement of income.

Under IFRS 13, fair value is understood to be the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction between market participants at the measurement date. On the contracting date or at the beginning of an operation fair value is generally the transaction amount.

Fair value is determined based on:

- the price in an active market, or

- valuation methods and techniques (when there is not an active market) supported by:

  – mathematical calculations based on recognised financial theories; or,

  – prices calculated based on similar assets or liabilities traded on active markets or based on statistical estimates or other quantitative methods.

Financial assets are initially recognised, at the time of their acquisition or inception, under one of the four categories defined in IAS 39:

- financial assets held for trading and at fair value through profit or loss;

- held-to-maturity financial assets;

- available-for-sale financial assets;

- loans and other receivables.

Following the amendment to IAS 39 in October 2008 entitled "Reclassification of financial assets", it became possible to reclassify financial assets between financial asset categories, as follows: (i) in specific circumstances, non-derivative financial assets (other than those initially designated as financial assets at fair value through profit or loss under the "fair value option") can be reclassified out of the fair value through profit and loss category, and (ii) financial assets which meet the definition of loans and receivables can be reclassified from the available-for-sale financial assets category to the loans and receivables category, provided that the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. For reclassifications made up to 1 November 2008, the reference date of the changes made by the BPI Group was 1 July 2008. The reclassifications made on or after 1 November 2008 are effective only as from the reclassification date.

In note 4.48 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, taking into account the own credit risk and counterparty risk of the operations. The book value of bonds and other fixed income securities includes accrued interest.

Gains and losses resulting from changes in fair value are recognised in the statement of income.

Derivative operations are subject to credit risk analysis, their value being adjusted with a corresponding entry to loss on financial operations.

2.2.2. Held to maturity investments

This caption includes non-derivative financial assets with fixed or determinable payments and defined maturities that the BPI Group has the intention and ability to hold until maturity.

These investments are measured at amortised cost, using the effective interest rate method and subject to impairment tests. The impairment losses on financial investments held to maturity are recorded in the income statement. If, in a subsequent period, the amount of an impairment loss decreases and that decrease can be related objectively to an event occurring after the date on which the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of income for the year.

2.2.3. Financial assets available for sale

This caption includes:

- fixed income securities which have not been classified in the trading, held to maturity or loan portfolios;

- variable yield securities available for sale; and

- shareholders' loans and supplementary capital contributions in financial assets available for sale.

Assets classified as available for sale are valued at fair value, except for equity instruments that are not traded on active markets and for which their fair value cannot be reliably measured or estimated. In this case they remain recorded at cost.

Gains and losses resulting from changes in the fair value of financial assets available for sale are recognised directly in the shareholders' equity caption FAIR VALUE REVALUATION RESERVE, except for impairment losses and exchange gains and losses on monetary assets, until the asset is sold. At this time, the gain or loss previously recognised in shareholders' equity is transferred to the statement of income.

Interest accrued on bonds and other fixed income securities and differences between their cost and nominal value (premium or discount) are recorded in the statement of income using the effective interest rate method.

Income from variable-yield securities (dividends in the case of shares) is recorded as income when it is 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 2.2.8. 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).

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

Gains and losses on the sale of loans to Customers on a definitive basis are recognised in net income on financial operations in the caption GAIN AND LOSS ON THE SALE OF LOANS AND ADVANCES TO CUSTOMERS. These gains or losses correspond to the difference between the sale price and the book value of those assets, net of impairment losses.

Loans designated as hedged assets are valued as explained in note 2.2.8. 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 250 th. 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 I 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 I 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 24 November, re-published by Law 4 / 2012 of 11 January (Bank Recapitalisation Law), Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012, of the Portuguese Minister of State and Finance of 28 June 2012 and the requirements of International Financial Reporting Standards, namely IAS 32, these financial instruments were recorded by the BPI Group as financial liabilities, since:

- it has been established that the par value of these instruments bears interest, which must be paid by the Issuer in cash or in shares of the Issuer, otherwise the instruments will be converted into shares of the Issuer in accordance with Section 8 of the above mentioned Terms and Conditions;

- the instruments should be repurchased by Banco BPI from the Portuguese State up to the end of 29 June 2017, otherwise they will be converted into shares of the Issuer;

- the conversion referred to in the preceding paragraphs will be made through the delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) as defined in the Conversion Price contained in Section 1.1. of the above mentioned Terms and Conditions, the price depends on the listed / market value of the shares in the period prior to the occurrence of such event and (ii) the determination of the number of shares is based on the Conversion Price.

Contingent convertible subordinated bonds are valued at amortised cost, using the effective interest rate method.

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 1 January 2004 have been recorded at their book value at the date of transition to IAS / IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.4. 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 legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced. Such property is subject to periodic appraisals, with impairment losses being recorded whenever the appraised value net of costs to sell is lower than its book value.

The caption OTHER ASSETS also includes the Bank's tangible assets retired from use (unused property and equipment) which are in the process of sale. Such assets are transferred from tangible assets at their book value in accordance with IAS 16 (cost less accumulated depreciation and impairment losses) when they become available for sale, and are subject to periodic appraisals with impairment losses being recorded whenever the appraised value (net of selling costs) is lower than their book value.

The appraisals are carried out by independent appraisers registered at "Comissão dos Mercados de Valores Mobiliários". Unrealized gains on these assets are not recognised in the balance sheet.

Tangible assets available for sale are not depreciated.

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 31 December 2010 the majority of employees of the BPI Group was not covered by the Portuguese Social Security system.

With the publication of Decree-Law 1-A / 2011 of 3 January all the bank employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime, as from 1 January 2011, becoming covered by this regime as regards old age pensions and possible maternity, paternity and adoption, the cost of which the Bank no longer covers. Given the complementary nature of the rules of the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Social Security Regime for the items covered and the benefits established in the Collective Labour Agreement.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank's responsibility.

Following the Three Party Agreement between the Government, the Credit Institutions and the Labour Unions for the Banking Sector, Decree-Law 127 / 2011 of 31 December was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at 31 December 2011 were in that situation and were covered by the substitute social security regime included in 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 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State must be equal to the amount of the liabilities assumed by the Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables in accordance with the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the Bank's pension fund assets was made entirely in cash.

The Bank transferred ownership of the assets under the following conditions: (i) up to 31 December 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by 30 June 2012, the remaining amount to complete the current definitive amount of the liabilities, as a result of the final determination of the liabilities transferred, made by an expert independent entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, with extinction of the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liabilities transferred based on the actuarial assumptions used by Banco BPI was recorded in the statement of income caption OPERATING GAINS AND LOSSES, as provided for in paragraph 110 of IAS 19.

In accordance with the Decree-Law 127 / 2011 of 31 December the cost incurred as a result of the transfer of the liability for retirement and survivor pensions of retired personnel and pensioners to the Social Security is tax deductible, in equal amounts, in the tax years beginning on or after 1 January 2012 based on the estimated average number of years of life expectancy of the pensioners whose liabilities were transferred, which is estimated at 18 years, and so the corresponding deferred tax asset relating to the amount settled was recognised in the statement of income.

The BPI Group determines the amount of its past service liability by actuarial calculation using the "Projected Unit Credit" method in the case of retirement due to age, and the "Single Successive Premiums" method in the case of retirement due to incapacity and survivor benefits. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary and pension increases, using mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for low risk bonds with similar terms to those of the related pension liability. The current economic situation and sovereign debt crisis in Southern of Europe have caused volatility and disruption in the debt market in the Eurozone, with 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 31 December 2013 and 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 30 June and 31 December of each year. On 31 December 2013 the BPI Group changed the discount rate and the mortality table as regards the average life expectancy of employees, retired employees and pensioners of the BPI Group. The updating of these assumptions is reflected in actuarial deviations for the period and prospectively in pension costs. The amount of the liability includes, in addition to the retirement pension benefits, post-employment healthcare benefits (SAMS) and death subsidy during retirement.

In accordance with the requirements of IAS 19, the BPI Group recognizes the effect of re-measuring the net liability (asset) of defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which it occurs, including actuarial gains and losses and deviations relating to the return on pension fund assets.

The increase in the past service liability resulting from early retirements is fully recognised as cost in the statement of income for the year.

Increases in the past service liability resulting from changes in the conditions of the Pension Plans are recognised in full in the statements of income.

The past service liability (post-employment benefits) is covered by Pension Funds. The value of the Pension Funds corresponds to the fair value of their assets at the balance sheet date.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice 4 / 2005, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

The past service liability for retirement pensions net of the amount of the pension fund is recorded in the BPI Group's financial statements under the caption OTHER LIABILITIES (insufficient coverage) or OTHER ASSETS (excess coverage).

The following costs relating to retirement and survivor pensions are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- net interest cost;
- cost relating to the increase in the past service liability due to early retirements;
- gains and losses resulting from changes in the conditions of the Pension Plan.

At the transition date to IAS / IFRS, the BPI Group adopted the option, allowed under IFRS 1, of not recalculating actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group's financial statements as of 31 December 2003 were reversed by corresponding entry to retained earnings at the transition date (1 January 2004).

2.7. 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 31 December 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 31 December 2012.

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption OTHER LIABILITIES.

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost;
- gain and loss resulting from changes in the conditions of the benefits.

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 suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, taking into account the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition relating to non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options begins after that period.

As set forth in the Recapitalisation Plan (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 (1 January) to the moment they become available to the employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to employees on the grant date (in the case of Executive Directors, after verifying the 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 31 December 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 1 January 2003. As from 1 January 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 31 July and operates in the life and non life insurance brokerage areas.

In the insurance brokerage services area, Banco BPI sells insurance contracts. As remuneration for 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 31 January).

Commission received for insurance brokerage services is recognised on an accruals basis. Fees received in a different period from that to which they relate are recorded as receivables in the caption OTHER ASSETS by corresponding entry to COMMISSIONS RECEIVED – FOR INSURANCE BROKERAGE SERVICES.

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by Banco BPI, from those already 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:** corresponds to commercial banking business in Portugal, the provision overseas of banking services to non-residents – namely to emigrant Portuguese communities and services provided in the Madrid branch – and investment banking, private equity, asset management and insurance operations. Thus, domestic operations are divided into:
  - Commercial Banking
  - Investment Banking
  - Equity investments and others
- **International operations:** consist of the operations in Angola carried out by Banco de Fomento Angola, S.A, in Mozambique by Banco Comercial de Investimentos, S.A.R.L. and BPI Moçambique – Sociedade de Investimento, S.A. and in South Africa by BPI Capital Africa (Proprietary) Limited.

Commercial banking

The BPI Group's operations are focused mainly on commercial banking. Commercial banking includes:

- **Retail Banking** – includes commercial operations with private clients, sole traders and businesses with turnover of up to 5 million euro through a multi-channel distribution network made up of traditional branches, investment centres, home banking services and telephone banking.
- **Corporate Banking, Project Finance and Institutional Banking** – includes commercial operations with companies with a turnover of more than 2 million euro and operates in coordination with the Retail Banking segment for operations 5 million euro. Also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and homebanking services adapted to the business needs.

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 31 December 2013 and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola	Others	Total		
ASSETS										
Cash and deposits at central banks	314 551	209			314 760	1 057 451		1 057 451		1 372 211
Loans and advances to other credit institutions repayable on demand	509 980	70 902	4 204	(127 300)	457 786	18 289	33	18 322	(9 249)	466 859
Financial assets held for trading and at fair value through profit or loss	1 076 874	142 461		(63 910)	1 155 425	140 297	58	140 355		1 295 780
Financial assets available for sale	7 330 725	23 870	52 426	1 291	7 408 312	2 285 917		2 285 917		9 694 229
Loans and advances to credit institutions	1 770 142	1 111 651	2 894	(1 600 519)	1 284 168	1 689 984	575	1 690 559	(1 088 657)	1 886 070
Loans and advances to Customers	24 717 196	195 865		(19 565)	24 893 496	1 071 637		1 071 637		25 965 133
Held to maturity investments	166 530	11 667		(41 320)	136 877					136 877
Hedging derivatives	196 410	222		(2 589)	194 043					194 043
Other tangible assets	67 706	1 616	1		69 323	127 456	558	128 014		197 337
Intangible assets	16 770	101			16 871	2 278		2 278		19 149
Investment in associated companies and jointly controlled entities	95 875		81 150		177 025		44 967	44 967		221 992
Tax assets	532 275	5 030	(816)		536 489	3 133	70	3 203		539 692
Other assets	766 884	32 123	135	(98 554)	700 588	12 686	225	12 911	(3 121)	710 378
Total assets	**37 561 918**	**1 595 717**	**139 994**	**(1 952 466)**	**37 345 163**	**6 409 128**	**46 486**	**6 455 614**	**(1 101 027)**	**42 699 750**
LIABILITIES										
Resources of central banks	4 140 068				4 140 068					4 140 068
Financial liabilities held for trading	256 022	17 140		(19 150)	254 012	1 233		1 233		255 245
Resources of other credit institutions	3 707 139	4 551	27 416	(1 203 664)	2 535 442	14 992	721	15 713	(1 097 906)	1 453 249
Resources of Customers and other debts	19 139 977	1 205 637		(549 114)	19 796 500	5 698 461		5 698 461		25 494 961
Debt securities	2 688 097			(89 642)	2 598 455					2 598 455
Financial liabilities relating to transferred assets	1 387 296				1 387 296					1 387 296
Hedging derivatives	549 991	(1)		(1 532)	548 458					548 458
Provisions	101 876	186			102 062	21 718		21 718		123 780
Technical provisions	2 513 660	176 108			2 689 768					2 689 768
Tax liabilities	39 529	1 386	(1 775)		39 140	15 153	3 284	18 437		57 577
Contingent convertible subordinated bonds	920 433				920 433					920 433
Other subordinated debt and participating bonds	198 857	3 934		(65 860)	136 931					136 931
Other liabilities	536 941	39 146	2 145	(23 504)	554 728	32 194	3 398	35 592	(3 121)	587 199
Total liabilities	**36 179 886**	**1 448 087**	**27 786**	**(1 952 466)**	**35 703 293**	**5 783 751**	**7 403**	**5 791 154**	**(1 101 027)**	**40 393 420**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 330 799	128 707	112 208		1 571 714	311 091	39 083	350 174		1 921 888
Minority interest	51 233	18 923			70 156	314 286		314 286		384 442
Total shareholders' equity	**1 382 032**	**147 630**	**112 208**		**1 641 870**	**625 377**	**39 083**	**664 460**		**2 306 330**
Total liabilities and shareholders' equity	**37 561 918**	**1 595 717**	**139 994**	**(1 952 466)**	**37 345 163**	**6 409 128**	**46 486**	**6 455 614**	**(1 101 027)**	**42 699 750**
Investments made in:										
Property	207				207	1 052		1 052		1 259
Equipment and other tangible assets	6 539	166			6 705	17 473	217	17 690		24 395
Intangible assets	7 897	78			7 975	1 742		1 742		9 717

The BPI Group's income statement for the year ended 31 December 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)	**255 729**	**124**	**(1 449)**		**254 404**	**190 536**	**(249)**	**190 287**		**444 691**
Gross margin on unit links	860	2 150			3 010					3 010
Income from equity instruments	1 720	92	1 845		3 657					3 657
Net commission relating to amortised cost	23 379				23 379	393		393		23 772
Financial margin	**281 688**	**2 366**	**396**		**284 450**	**190 929**	**(249)**	**190 680**		**475 130**
Technical result of insurance contracts	24 463	293			24 756					24 756
Commission received	256 702	44 062		(27 486)	273 278	37 669	266	37 935	(1 970)	309 243
Commission paid	(52 105)	(10 826)	(7)	27 486	(35 452)	(7 280)	(720)	(8 000)	1 970	(41 482)
Other income, net	18 554	73			18 627	23 953		23 953		42 580
Net commission income	**223 151**	**33 309**	**(7)**		**256 453**	**54 342**	**(454)**	**53 888**		**310 341**
Gain and loss on operations at fair value	23 146	11 989			35 135	89 920		89 920		125 055
Gain and loss on assets available for sale	132 243	38			132 281					132 281
Interest and financial gain and loss with pensions	4 120	73			4 193					4 193
Net income on financial operations	**159 509**	**12 100**			**171 609**	**89 920**		**89 920**		**261 529**
Operating income	11 680	111			11 791	1 383	71	1 454		13 245
Operating expenses	(26 991)	(1 423)			(28 414)	(813)	(2)	(815)		(29 229)
Other taxes	(4 248)	(692)	(1)		(4 941)	(2 668)	(72)	(2 740)		(7 681)
Net operating expenses	**(19 559)**	**(2 004)**	**(1)**		**(21 564)**	**(2 098)**	**(3)**	**(2 101)**		**(23 665)**
Operating income from banking activity	**669 252**	**46 064**	**388**		**715 704**	**333 093**	**(706)**	**332 387**		**1 048 091**
Personnel costs	(301 943)	(20 354)	(170)		(322 467)	(62 370)	(1 969)	(64 339)		(386 806)
General administrative costs	(167 210)	(10 692)	(28)		(177 930)	(54 522)	91	(54 431)		(232 361)
Depreciation and amortisation	(16 828)	(1 260)			(18 088)	(13 170)	(118)	(13 288)		(31 376)
Overhead costs	**(485 981)**	**(32 306)**	**(198)**		**(518 485)**	**(130 062)**	**(1 996)**	**(132 058)**		**(650 543)**
Recovery of loans, interest and expenses	15 310	3			15 313	2 289		2 289		17 602
Impairment losses and provisions for loans and guarantees, net	(264 588)	309			(264 279)	(8 369)		(8 369)		(272 648)
Impairment losses and other provisions, net	14 178	(140)	161		14 199	(2 170)		(2 170)		12 029
Net income before income tax	**(51 829)**	**13 930**	**351**		**(37 548)**	**194 781**	**(2 702)**	**192 079**		**154 531**
Income tax	(4 150)	(4 739)	3 906		(4 983)	(14 519)	(919)	(15 438)		(20 421)
Earnings of associated companies (equity method)	10 497		5 804		16 301		10 798	10 798		27 099
Global consolidated net income	**(45 482)**	**9 191**	**10 061**		**(26 230)**	**180 262**	**7 177**	**187 439**		**161 209**
Income attributable to minority interest	(1 135)	(973)			(2 108)	(92 262)		(92 262)		(94 370)
Consolidated net income of the BPI Group	**(46 617)**	**8 218**	**10 061**		**(28 338)**	**88 000**	**7 177**	**95 177**		**66 839**
Cash flow after taxes	220 621	9 309	9 900		239 830	111 709	7 295	119 004		358 834

The BPI Group's balance sheet as of 31 December 2012 and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	**Total**	Angola	Others	**Total**		
ASSETS										
Cash and deposits at central banks	233 053	165			233 218	1 036 147		1 036 147		1 269 365
Loans and advances to other credit institutions repayable on demand	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		(31 832)	957 832	153 753	61	153 814		1 111 646
Financial assets available for sale	8 306 461	37 383	47 517	1 861	8 393 222	1 859 660		1 859 660		10 252 882
Loans and advances to credit institutions	2 129 309	2 116 581	2 894	(3 057 305)	1 191 479	1 622 650	637	1 623 287	(1 104 039)	1 710 727
Loans and advances to Customers	26 137 119	147 839		(21 794)	26 263 164	1 082 309		1 082 309		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	1 713	1		80 496	129 675	518	130 193		210 689
Intangible assets	11 835	50			11 885	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	(1 007)		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	341 601	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	1 007	(1 123 456)	2 568 421
Resources of Customers and other debts	18 162 190	2 229 409		(1 084 609)	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	1 591 811			(827)	1 590 984					1 590 984
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	(1 219)		112 080	8 035	61	8 096		120 176
Contingent convertible subordinated bonds	1 200 279				1 200 279					1 200 279
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	1 197 301	76 698	109 749		1 383 748	286 821	37 413	324 234		1 707 982
Minority interest	51 144	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	1 378		1 378		6 193

The BPI Group's income statement for the year ended 31 December 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)	**370 777**	**(52)**	**(2 069)**		**368 656**	**180 347**	**(85)**	**180 262**		**548 918**
Gross margin on unit links	806	1 865			2 671					2 671
Income from equity instruments	1 633	102	1 746		3 481					3 481
Net commission relating to amortised cost	26 474				26 474	1 051		1 051		27 525
Financial margin	**399 690**	**1 915**	**(323)**		**401 282**	**181 398**	**(85)**	**181 313**		**582 595**
Technical result of insurance contracts	22 739	273			23 012					23 012
Commission received	283 891	40 651		(24 088)	300 454	30 995	179	31 174	(1 250)	330 378
Commission paid	(53 617)	(9 112)	(1)	24 088	(38 642)	(6 886)	(7)	(6 893)	1 250	(44 285)
Other income, net	19 974	86			20 060	26 151		26 151		46 211
Net commission income	**250 248**	**31 625**	**(1)**		**281 872**	**50 260**	**172**	**50 432**		**332 304**
Gain and loss on operations at fair value	144 467	9 166	1		153 634	75 658		75 658		229 292
Gain and loss on assets available for sale	168 495	10	499		169 004	10		10		169 014
Interest and financial gain and loss with pensions	2 919	147	1		3 067					3 067
Net income on financial operations	**315 881**	**9 323**	**501**		**325 705**	**75 668**		**75 668**		**401 373**
Operating income	10 401	316			10 717	5 807	50	5 857		16 574
Operating expenses	(19 380)	(343)	(4)		(19 727)	(444)	(2)	(446)		(20 173)
Other taxes	(4 031)	(614)	(1)		(4 646)	(1 009)	(18)	(1 027)		(5 673)
Net operating expenses	**(13 010)**	**(641)**	**(5)**		**(13 656)**	**4 354**	**30**	**4 384**		**(9 272)**
Operating income from banking activity	**975 548**	**42 495**	**172**		**1 018 215**	**311 680**	**117**	**311 797**		**1 330 012**
Personnel costs	(290 330)	(19 485)	(172)		(309 987)	(60 720)	(2 072)	(62 792)		(372 779)
General administrative costs	(169 003)	(10 872)	(38)		(179 913)	(52 927)	(573)	(53 500)		(233 413)
Depreciation and amortisation	(19 045)	(1 352)	(1)		(20 398)	(12 586)	(90)	(12 676)		(33 074)
Overhead costs	**(478 378)**	**(31 709)**	**(211)**		**(510 298)**	**(126 233)**	**(2 735)**	**(128 968)**		**(639 266)**
Recovery of loans, interest and expenses	12 799	30			12 829	2 701		2 701		15 530
Impairment losses and provisions for loans and guarantees, net	(254 065)	(384)			(254 449)	(14 936)		(14 936)		(269 385)
Impairment losses and other provisions, net	(32 719)	(114)	(841)		(33 674)	(3 099)		(3 099)		(36 773)
Net income before income tax	**223 185**	**10 318**	**(880)**		**232 623**	**170 113**	**(2 618)**	**167 495**		**400 118**
Income tax	(78 068)	(4 024)	204		(81 888)	(5 540)	(866)	(6 406)		(88 294)
Earnings of associated companies (equity method)	8 305		5 249		13 554		10 262	10 262		23 816
Global consolidated net income	**153 422**	**6 294**	**4 573**		**164 289**	**164 573**	**6 778**	**171 351**		**335 640**
Income attributable to minority interest	(1 232)	(433)			(1 665)	(84 886)	46	(84 840)		(86 505)
Consolidated net income of the BPI Group	**152 190**	**5 861**	**4 573**		**162 624**	**79 687**	**6 824**	**86 511**		**249 135**
Cash flow after taxes	458 019	7 711	5 415		471 145	110 308	6 914	117 222		588 367

4.1. Cash and deposits at central banks

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Cash	369 451	367 092
Demand deposits at the Bank of Portugal	109 939	19 367
Demand deposits at foreign central banks	892 793	882 821
Accrued interest	28	85
	1 372 211	**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, 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 3 / 2013 of 1 July (up to that date BNA Instruction 2 / 2011 of 28 April was in force) 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 31 December 2013 the requirement to maintain compulsory cash reserves was calculated by the application of a 15% rate to the mathematical average of the eligible liabilities in kwanzas and in other currencies. At 31 December 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:

	31 Dec. 13	31 Dec. 12
Domestic credit institutions		
Demand deposits	3 476	3 684
Cheques for collection	65 779	77 607
Other	1 042	994
Foreign credit institutions		
Demand deposits	392 447	366 594
Cheques for collection	4 112	4 558
Accrued interest	3	1
	466 859	**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:

	31 Dec. 13	31 Dec. 12
FINANCIAL ASSETS HELD FOR TRADING		
Debt Instruments		
Bonds issued by Portuguese government entities	4 104	3 712
Bonds issued by foreign government entities	138 851	153 801
Bonds issued by other Portuguese entities		
Non-subordinated debt	13 160	4 833
Bonds issued by other foreign entities		
Non-subordinated debt	5 309	3 970
Subordinated debt		189
	161 424	**166 505**
Equity instruments		
Shares issued by Portuguese entities	148 901	108 913
Shares issued by foreign entities	59 114	58 944
	208 015	**167 857**
Other securities		
Participating units issued by Portuguese entities	156	152
Participating units issued by foreign entities	92	85
	248	**237**
	369 687	**334 599**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Debt Instruments		
Bonds issued by Portuguese government entities	99 301	119 435
Bonds issued by foreign government entities	239 513	89 164
Bonds issued by other Portuguese entities		
Non-subordinated debt	71 240	19 015
Bonds issued by foreign financial entities		744
Bonds issued by other foreign entities		
Non-subordinated debt	43 351	51 298
Subordinated debt	1 589	1 685
	454 994	**281 341**
Equity instruments		
Shares issued by Portuguese entities	1 349	489
Shares issued by foreign entities	24 667	21 993
	26 016	**22 482**
Other securities		
Participating units issued by Portuguese entities	11 347	12 426
Participating units issued by foreign entities	210 239	131 771
	221 586	**144 197**
	702 596	**448 020**
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE (NOTE 4.4)	**223 497**	**329 027**
	1 295 780	**1 111 646**

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

	31 Dec. 13	31 Dec. 12
Debt instruments		
Of public entities	338 814	208 599
Other entities	116 179	72 742
Equity instruments	9 628	6 186
Other securities	221 586	144 197
Derivative instruments with positive fair value		286
	686 207	**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 31 October 2008 were based on prices at 1 July 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:

	31 Dec. 13			31 Dec. 12		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures				239 448		
Exchange forwards and swaps	1 623 706	1 250	1 244	1 816 008	1 172	112
Interest rate contracts						
Futures	66 597	11	10	184 067	29	113
Options	473 833	3 051	3 284	594 164	5 333	5 545
Swaps	6 356 628	191 182	195 972	7 527 215	285 208	286 338
Contracts over shares						
Futures	12 509	162	222	33 924	15	55
Swaps	264 030	55	27 008	221 830	2 837	13 367
Options	31 225	614	19	177 680	1 124	253
Contracts over other underlying items						
Futures	51 737			185 687		
Others						
Options[2]	643 635	26 932	27 360	1 198 581	32 415	33 210
Others[3]	1 951 222		126	2 157 136		938
Overdue derivatives		240			894	
	11 475 122	**223 497**	**255 245**	**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:

	31 Dec. 13			31 Dec. 12		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	172 541	51	29	137 358	350	248
Swaps	15 187 052	169 642	518 152	15 467 042	244 327	778 369
Contracts over shares						
Swaps	204 758	146	6 124	298 384	764	4 370
Contracts over credit events						
Swaps	9 240	33		15 164	33	1
Contracts over other underlying items						
Swaps	12 758	334	316	32 786	3 808	540
Others						
Options[2]	570 583	23 837	23 837	622 712	31 455	31 455
	16 156 932	**194 043**	**548 458**	**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 the valuation methods used to determine the fair value of derivative financial instruments.

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, if positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group's operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces credit risk. Additionally, in order to control credit risk 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 31 December 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	**1 473 733**	**146 937**	**3 037**			**1 623 706**
Forwards	117 297	15 066	3 037			135 399
Swaps	1 356 436	131 871				1 488 307
Interest rate contracts	**1 106 526**	**1 103 140**	**5 204 896**	**9 503 795**	**5 099 156**	**22 017 513**
Swaps	1 085 499	1 056 598	5 011 945	9 310 798	5 078 840	21 543 680
Options	21 026	46 542	192 951	192 997	20 316	473 833
Contracts over indexes and shares	**264 030**	**8 500**	**115 322**	**112 161**		**500 013**
Swaps	264 030	8 500	84 234	112 024		468 788
Options			31 088	137		31 225
Contracts over credit events		**9 240**				**9 240**
Swaps		9 240				9 240
Contracts over other underlying items			**3 526**	**9 232**		**12 758**
Swaps			3 526	9 232		12 758
Others	**759**	**131 993**	**685 621**	**2 052 838**	**294 228**	**3 165 440**
Options	759	131 993	233 223	554 014	294 228	1 214 218
Others			452 398	1 498 824		1 951 222
	2 845 048	**1 399 810**	**6 012 402**	**11 678 027**	**5 393 384**	**27 328 670**
Organized markets						
Exchange rate contracts	**200 138**		**4 000**	**35 000**		**239 138**
Futures	200 138		4 000	35 000		239 138
Contracts over indexes and shares	**12 509**					**12 509**
Futures	12 509					12 509
Contracts over other underlying items	**51 737**					**51 737**
Futures	51 737					51 737
	264 384		**4 000**	**35 000**		**303 384**
	3 109 432	**1 399 810**	**6 016 402**	**11 713 027**	**5 393 384**	**27 632 054**

At 31 December 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 31 December 2013 the distribution of derivative operations, by counterparty external rating, was as follows:

31 Dec. 13	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	390 100	10 056	7 042	
A+	595 676	1 851		
A	9 490 583	113 966	59 327	2 212
A-	2 762 559	29 248	118	118
BBB+	33 657	1 292		
BBB	697 731	11 417	5 258	2 575
BBB-	5 869 425	23 902	2 421	1 051
BB+	62 840	7 843	5 059	
BB-	27 867	963	963	
B+	7 500	209	209	209
N.R.	4 225 292	189 355	185 809	185 809
	24 163 230	**390 103**	**266 206**	**191 975**
Traded on the stock exchange				
Futures[5]	303 384			
	303 384			
	24 466 614	**390 103**	**266 206**	**191 975**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody's, Standard & Poor's 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 3 165 440 th. 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 31 December 2012 the distribution of derivative operations, by counterparty external rating, was as follows:

31 Dec. 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	46	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**	**402 456**	**282 436**
Traded on the stock exchange				
Futures[5]	780 484			
	780 484			
	26 930 757	**576 635**	**402 456**	**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's, Standard & Poor's 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 th. 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:

	31 Dec. 13	31 Dec. 12
Debt instruments		
Bonds issued by Portuguese government entities	5 163 311	5 493 710
Bonds issued by foreign government entities	3 341 475	3 249 288
Bonds issued by other Portuguese entities		
Non-subordinated debt	477	79 826
Bonds issued by other foreign entities		
Non-subordinated debt	149 002	303 848
Subordinated debt	644 639	753 087
Impairment		(1 501)
	9 298 904	**9 878 258**
Equity instruments		
Shares issued by Portuguese entities	72 494	59 063
Impairment	(27 997)	(27 933)
Quotas	44 971	46 335
Shares issued by foreign entities	32 570	36 180
Impairment	(18 108)	(18 156)
	103 930	**95 489**
Other securities		
Participating units issued by Portuguese entities	306 085	289 922
Impairment	(18 188)	(15 068)
Participating units issued by foreign entities	2 122	1 535
	290 019	**276 389**
Loans and other receivables	**22 119**	**22 722**
Impairment	(20 743)	(19 976)
	1 376	**2 746**
Overdue bonds	1 635	1 087
Impairment on overdue bonds	(1 635)	(1 087)
	9 694 229	**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.

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.

In 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 reclassification date.

On 21 February 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 31 December 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 recognised impairment losses of 16 102 th. 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 th. 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 2013 and 2012 are shown in note 4.20.

At 31 December 2013 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair valuer[1]	Net gain / (loss) on securities[2]	Hedge accounting effec[2]	Impairment
		Nominal	Listing / price					
SECURITIES								
Debt Instruments								
Issued by Portuguese entities								
Portuguese public debt								
Treasury Bills								
BILHETES DO TESOURO-CZ 22.08.2014	3 236 000	1.00	0.99	3 183	3 211	19		
BILHETES DO TESOURO-CZ-17.01.2014	493 011 000	1.00	1.00	486 899	492 789	96		
BILHETES DO TESOURO-CZ-18.04.2014	205 536 000	1.00	1.00	202 786	204 950	239		
BILHETES DO TESOURO-CZ-18.07.2014	699 875 000	1.00	0.99	687 695	695 389	1 972		
BILHETES DO TESOURO-CZ-19.09.2014	265 500 000	1.00	0.99	260 097	263 087	381		
BILHETES DO TESOURO-CZ-19.12.2014	272 597 000	1.00	0.99	266 359	268 824	421		
BILHETES DO TESOURO-CZ-20.03.2015	9 853 000	1.00	0.98	9 557	9 661	75		
BILHETES DO TESOURO-CZ-21.02.2014	177 918 000	1.00	1.00	176 474	177 735	126		
BILHETES DO TESOURO-CZ-21.03.2014	509 384 000	1.00	1.00	496 644	508 503	1 344		
BILHETES DO TESOURO-CZ-21.11.2014	120 000 000	1.00	0.99	118 265	118 440	(18)		
BILHETES DO TESOURO-CZ-23.05.2014	738 152 000	1.00	1.00	716 002	735 044	3 280		
BILHETES DO TESOURO-CZ-23.05.2014	4 900 000	1.00	1.00	4 826	4 879	17		
				3 428 787	**3 482 512**	**7 952**		
Treasury Bonds								
OT – 3.35% (15.10.2015)	4 350 000	0.01	0.01	4 245	4 382	86		
OT – 4.75% (14.06.2019)	1700 000 000	0.01	0.01	1 804 908	1 676 417	(130 010)	(210 130)	
				1 809 153	**1 680 799**	**(129 924)**	**(210 130)**	
Other residents								
Non-subordinated debt								
Other bonds								
SEMAPA – 2006 / 2016	500 000	50 000.00	47 500.00	495	477	(24)		
				495	**477**	**(24)**		
Issued by non-residents								
By foreign government entities								
Bonds								
BILHETES DO TESOURO (Angola)	508 761 290	7.44		364 500	367 860			
BUONI POLIENNALI DEL T-4.25%-01.09.2019	800 000 000	1 000.00	1 068.55	818 068	866 079	44 525	(107 321)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1 000.00	1 081.25	185 458	191 822	8 504	(23 767)	
OBRIGAÇÕES DO TESOURO – AKZ (Angola)	656 814	744.13		588 516	1 550 325			
OBRIGAÇÕES DO TESOURO – USD (Angola)	70 264	148.83		359 673	365 389			
				2 316 215	**3 341 475**	**53 029**	**(131 088)**	
Others non-residents								
Non-subordinated debt								
Bonds								
ATLANTES MORTGAGE-SR.1-CL.A (17.1.2036)	911 726	18 234.52	16 942.09	795	849	(65)		
AVOCA CLO BV-SR-II.X-CL-A1-15.01.2020	204 516	255.65	255.36	199	205	1		
BANCA POPOLARE DI MILANO-TV-31.01.2014	500 000	1 000.00	999.09	494	500			
BARCLAYS BANK PLC-TV-25.05.2017	3 265 549	46 650.70	34 623.68	2 358	2 424	(238)		
CELF LOAN PART.BV-SR.2005-1X CL.A 2021	378 818	473.52	468.36	366	376	(4)		
CM BANCAJA FTA-SR.1 CL.A TV.(22.12.2036)	16 104	805.21	800.63	14	16	2		
COSAN FINANCE LTD – 7%-01.02.2017	14 502 212	725.11	793.63	14 349	16 293	1 477	(2 436)	
COSIPA COMMERCIAL – 8.25% (14.06.2016)	7 613 661	725.11	788.62	8 539	8 308	432	(815)	
DUCHESS-SR.V-X CL.B-TV.25.05.2021	800 000	1 000.00	935.50	742	749	(20)		
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	63 000.00	794	508	(296)		
GAZ CAPITAL(GAZPROM) – 6.212% (22.11.2016)	23 566 094	725.11	798.07	23 485	26 092	2 395	(3 011)	
HARVEST CLO-SR.II-X CL.A (21.05.2020)	251 798	4 750.91	4 670.62	244	248	(4)		
KION MORTGAGE FIN SR.06-1 CL.A-15.07.51	91 821	1 434.71	1 224.48	91	78	(13)		
LAFARGE-4.25% (23.03.2016)	30 000 000	1 000.00	1 052.50	29 554	32 564	1 869	(2 699)	
LAFARGE-6.5%-15.07.2016	6 525 995	725.11	799.74	6 710	7 392	625	(761)	
OTE PLC-4.625%-20.05.2016	25 000 000	50 000.00	51 625.00	24 913	26 524	837	(1 944)	
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	24 000 000	1 000.00	1 044.38	23 017	25 876	1 763	(2 962)	
				136 664	**149 002**	**8 761**	**(14 628)**	

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 valuer[1]	Net gain / (loss) on securities[2]	Hedge accounting effec[2]	Impairment
		Nominal	Listing / price					
Subordinated debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	135 000 000	1 000.00	1 038.99	128 393	145 394	7 377	(14 302)	
ALLIANZ FRANCE – 4.625%-PERP	6 700 000	1 000.00	1 017.47	6 562	6 990	154	(366)	
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	800 000	100 000.00	93 020.00	746	746	(41)		
AXA SA – 5.777% PERP / SUB	75 000 000	1 000.00	1 041.79	78 434	80 247	2 226	(6 510)	
BANCO SABADELL-5.234%-PERPETUA	50 000	50 000.00	33 533.50	49	34	(16)		
BAYER AG – 5% (29.07.2105)	65 000 000	1 000.00	1 039.17	62 091	68 926	3 195	(3 715)	
C8 CAPITAL SPV – 6.64% – PERPETUA	47 132 188	725.11	612.72	46 934	39 827	(7 280)	(2 215)	
CIBELES FTYPME-SR.III-CL.BSA(26.11.2030)	6 507	1 626.73	1 620.22	6	6			
DONG A/S – 5.5% (29.06.3005)	65 000 000	1.00	1.05	65 111	69 818	2 980	(4 345)	
GENERALI FINANCE BV – 5.479% – PERPETUAS	75 000 000	50 000.00	50 084.00	75 987	78 796	(201)	(8 004)	
GRANITE MASTER-SR.2006-1A-CL.A5-20.12.54	626 967	113.99	112.82	619	621	(6)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2C	500 000	100 000.00	96 600.00	499	483	(17)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2M	500 000	100 000.00	97 500.00	499	488	(12)		
GRANITE MORTG.-TV(20.9.2044)-SR.04-3/2C	153 488	383.72	381.78	152	153	(1)		
HARBOURMASTER CLO-S.4X-CL.A3(11.10.2019)	500 000	1.00	0.90	491	451	(46)		
HARVEST CLO SA-SR.IX-CL.B2 (29.3.2017)	430 542	143 513.93	142 939.87	428	430	(2)		
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	63 150.00	198	127	(74)		
MADRID RMBS FTA-SR.06-1 CL.A2-22.06.2049	211 409	52 852.24	44 267.75	208	177	(31)		
OLD MUTUAL PLC-OB.PERPETUA	25 000 000	1 000.00	1 007.26	24 785	25 377	315	(1 630)	
OPERA FINANCE(DE)-SR.GER3 CL.B-25.1.2022	1 000 000	50 000.00	49 923.10	937	999	34		
PELICAN MORTGAGES-2/B (15.9.2036)	290 000	10 000.00	6 887.12	286	200	(90)		
RHODIUM BV – SR.1X – CL.C (27.5.2084)	800 000	100 000.00	64 000.00	785	513	(288)		
SIEMENS FINANCIERINGSMAT-5.25% 14.9.2066	50 000 000	1 000.00	1 075.03	50 896	54 528	3 479	(4 721)	
VATTENFALL AB-TV. PERP.	65 000 000	1 000.00	1 039.67	64 690	69 308	2 729	(4 336)	
				609 786	**644 639**	**14 384**	**(50 144)**	
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE S.A.	92 260	1.00	1.00	92	92			
ALAR – EMP.IBERICA MATERIAL AERONAUTICO	2 200	4.99		20	20			
ALBERTO GASPAR. S.A. (CÓD LB0001: 92020020501)	60 000	5.00		141				141
APIS-SOC.IND.PARQUETES AZARUJENSE (C)	65 000	4.99						
APOR-AG.P/ MODERNIZAÇAO PORTO – CL.B	5 665	5.00		26	26			
BOAVISTA FUTEBOL CLUBE, FUTEBOL,SAD	21 900	5.00		109				109
BOMBARDIER TRANSPORTATION PORTUGAL S.A.	1	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
C.ª AG.FONTE SANTA MONFORTINHO-D.SUB / E.98	10	5.00						
CADERNO VERDE – COMUNICAÇAO (C)	134 230	1.00		967				967
CARAVELA GEST, SGPS, S.A.	272 775	5.00		1 895	167			1 729
CARMO & BRAZ (C)	65 000	4.99						
CIMPOR – CIM.DE PORTUGAL-SGPS	3 565	1.00	2.65	7	9	3		
COMP.ª AURIFICIA – N	1 186	7.00	1 111.30	25	1 318	1 293		
COMP.ª PRESTAMISTA PORTUGUEZA	10	1.00						
COMP.ª FIAÇAO E TECIDOS DE FAFE – P	168	4.99						
COMUNDO-CONSORCIO MUNDIAL IMP.EXP.	3 119	0.50		5	1			4
CONDURIL, S.A.	184 262	5.00		806	10 036	9 231		
CORTICEIRA AMORIM – SGPS	127 419	1.00	2.21	315	281	208		241
DIGITMARKET-SIST.INF.-N	4 950	1.00		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	8	5.00						
EUROFIL – IND.PLAST.E FILAM.	11 280	4.99		25	25			
F.I.T.-FOM.IND.TOMATE – P	148	4.99		3	3			
FAB. VASCO DA GAMA – IND.TRANSF.	33	4.99		1	1			
FUTEBOL CLUBE DO PORTO	105 000	5.00	0.39	539	41	18		516
GAP – SGPS	548	4.99		3	3			
GARVAL – SOCIEDADE DE GARANTIA MUTUA	1 483 750	1.00	1.00	1 484	1 484			

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 valuer[1]	Net gain / (loss) on securities[2]	Hedge accounting effec[2]	Impairment
		Nominal	Listing / price					
Shares (cont.)								
GEIE – GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	1.00		13				13
GESTINSUA – AQ. AL. PATRIMONIOS IMOB. MOB.	430	5.00		2				2
GREGORIO & CA.	1 510	4.99		4	4			
IMPRESA SGPS	6 200 000	0.50	1.09	22 791	6 758	4 837		20 869
INCAL – IND.E COM.DE ALIMENTAÇÃO	2 434	1.13		2	2			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1 307				1 307
J.SOARES CORREIA – ARMAZENS DE FERRO	84	5.00		2	2			
JOTOCAR – JOÃO TOMAS CARDOSO – P	3 020	4.99		8	8			
LISGARANTE – SOC. DE GARANTIA MUTUA	22 065	1.00	1.00	22	22			
LISNAVE – EST.NAVAIS	180	5.00		1	1			
MARGUEIRA-SOC.GEST.DE FUNDOS INV.IMOB.-N	3 511	5.00		18	18			
MATUR-SOC.EMPREEND.TURISTICOS DA MADEIRA	13 175	5.00		143				143
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-N	4	5.00						
METALURGIA CASAL – P	128	4.99		1	1			
MIMALHA, S.A. (CÓD LB0001: 92017022101)	40 557	4.99		335				335
MORETEXTILE,SGPS, S.A.	711	1.00		1	1			
NET – NOVAS EMPRESAS E TECNOLOGIAS – N	20 097	5.00	5.05	73	101	28		
NEWPLASTICS	1 445	1.00		1	1			
NEXPONOR-SICAFI	1 933 840	5.00		9 669	9 669			
NORGARANTE – SOC.DE GARANTIA MUTUA	159 340	1.00	1.00	159	159			
NOTORIOUSWAY, S.A.	2 500	1.00		3	3			
NUTROTON SGPS – C	11 395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	6.97	50	70	29		10
PORTO DE CAVALEIROS, SGPS	2	4.99						
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.52	2 692	2 763	71		
PRIMUS-PROM.DESENVOL.REGIONAL,EMT,S.A.	8 000	4.99		40	16			24
S.P.G.M.- SOCIEDADE DE INVESTIMENTO – N	665 150	1.00	1.00	664	665	1		
SALVOR – SOC.INV.HOTELEIRO – P	10	5.00						
SANJIMO – SOCIEDADE IMOBILIARIA	1 620	4.99		8				8
SAPHETY LEVEL – TRUSTED SERVICES	5 069	1.00		98				98
SDEM – SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	1.00	0.60	938	563			375
SENAL-SOC.NAC.DE PROMOÇÃO DE EMPRESAS-P	450	0.50						
SIBS – SGPS, S.A.	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 S.A.	1 000 000	1.00	1.02	1 250	1 021			229
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1 420	2.50						
SONAE – SGPS	36 868	1.00	1.05	69	39	24		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	1 500	5.00		7	7			
STAR – SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3	3			
TAEM – PROCESSAMENTO ALIMENTAR,SGPS, S.A.	125	1.00						
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	1 002	1.00	8.07	8	8			
VIALITORAL – CONC. RODOVIARIA MADEIRA	4 750	161.25	766.95	792	3 643	2 852		
VNCORK SGPS	151	1.00						
XELB-CORK – COM.E INDUSTRIA DE CORTIÇA	87	4.99						
				53 901	**44 497**	**18 595**		**27 997**
Quotas								
PROPAÇO – SOC. IMOB. DE PAÇO D'ARCOS		1.00		1	1			
VIACER – SOC. GEST. PART. SOCIAIS, S.A.		1.00		48 160	44 970	(3 190)		
				48 161	**44 971**	**(3 190)**		

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 valuer[1]	Net gain / (loss) on securities[2]	Hedge accounting effec[2]	Impairment
		Nominal	Listing / price					
Issued by non-residents								
Shares								
ALTITUDE SOFTWARE BV	6 386 243	16 067.32		13 810				13 810
AMSCO – USD	1 807	725.11		725				725
BVDA				218	218			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO BODEGAS)	7 786	100.00		4 399	1 085			3 314
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	1.42		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS (CAPITAL)				2 034	2 034			
EUROPEAN INVESTMENT FUND	9	1 000 000.00	1 177 085.90	9 410	10 593	1 184		
GROWELA CABO VERDE	19 000	9.07		172				172
IMC – INSTITUTO DO MERCADO DE CAPITAIS				3	3			
INTERBANCOS	100							
NCG BANCO S.A.	18 583	1.00		29				29
OSEO – SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	78	125.00		151	151			
SOPHA(BFA E FESA)				3	3			
THARWA FINANCE – MAD	20 895			188	265	77		
UNIRISCO GALICIA	80	1 202.02	1 183.91	96	95	25		27
VISA EUROPE LIMITED	1	10.00						
				31 284	**14 462**	**1 286**		**18 108**
Others								
Issued by residents								
Participating Units								
BPI OBRIGAÇÕES MUNDIAIS	752 210	4.99	7.58	5 567	5 704	138		
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 – FUNDO REVITALIZAR CENTRO	7 272 727	1.00		7 273	7 273			
FCR – FUNDO REVITALIZAR NORTE	7 272 728	1.00		7 273	7 273			
FCR – FUNDO REVITALIZAR SUL – CAT.A2	1 818 182	1.00		1 818	1 818			
FCR – FUNDO REVITALIZAR SUL – CAT.B2	1 818 181	1.00		1 818	1 818			
FCR – FUNDO REVITALIZAR SUL – CAT.C2	1 818 182	1.00		1 818	1 818			
FCR F – HITEC (ES VENTURES)	10	50 000.00	47 638.93	500	476	(24)		
FCR PORTUGAL VENTURES ACTEC	50		8 542.54	500	427	(73)		
FCR PORTUGAL VENTURES GPI	9	25 000.00	19 433.12	200	177			22
FCR PORTUGAL VENTURES VALOR	24	24 939.89	5 175.68	599	124			475
FCR PORTUGAL VENTURES-FIEP	3 783	1 000.00	813.13	3 783	3 076	(707)		
FCR PORTUGAL VENTURES	84	24 939.00	4 130.49	2 031	336			1 695
FCR PORTUGAL VENTURES TURISMO	164	24 939.89	9 807.52	3 568	1 609			1 959
FUNDO CAP. RISCO TURISMO INOVACAO CAT.B	12	50 000.00	54 810.59	600	658	58		
FUNDO CARAVELA	3 121	3 738.80	4 373.87	11 751	13 651	1 900		
FUNDO INTER-RISCO II – F.C.R. – CL.A	7 500	5 000.00	4 725.44	37 500	35 441	(2 059)		
FUNDO INTER-RISCO II CI-FUNDO C.DE RISCO	6 000	5 000.00		30 000	30 000			
FUNDO RECUPERACAO,FCR-CATEGORIA B	95 000	1 000.00	874.25	95 000	83 053			11 947
FUNDO RECUPERACAO,FCR-CATEGORIA C	20 000	1 000.00	895.49	20 000	17 910			2 090
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR	7 894	1 000.00	995.37	7 894	7 858	(37)		
IMOFOMENTO – FII	11 707 660		5.49	64 400	64 282	(118)		
INEGI INSTITUTO DE ENGENHARIA MECANICA	5 000			25	25			
UNICAMPUS-FEIIF	3 000	1 000.00	1 003.33	3 000	3 010	10		
				306 998	**287 897**	**(912)**		**18 188**
Issued by non-residents								
Participating units								
FUNDO BPI-EUROPA	23 405	0.01	12.42	171	291	120		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	2 771 018	1.00	0.66	2 771	1 831	(939)		
				2 942	**2 122**	**(819)**		

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 valuer[1]	Net gain / (loss) on securities[2]	Hedge accounting effec[2]	Impairment
		Nominal	Listing / price					
Loans and others receivables								
Loans and Shareholder's loans								
EMIS – EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					85			
MORETEXTILE SGPS, S.A.								11 365
NEWPLASTIC								1 513
PETROCER SGPS, LDA					201			
PROPACO – IMOBILIARIA DE PACO D'ARCOS					1 036			4 145
SAPHETY Level – Trusted Services S.A.					54			154
TAEM-PROCESSAMENTO ALIMENTAR								3 412
VNCORK – SGPS, S.A.								154
					1 376			**20 743**
Overdues bonds								
KAUPTHING BANK HF-TX.VAR. (25.05.2010)				590				590
Suprimentos – Intersis				50				50
Suprimentos – Maxstor				972				972
Suprimentos – GEIE				23				23
				1 635				**1 635**
				8 746 021	**9 694 229**	**(30 862)**	**(405 990)**	**86 671**

1) Net of impairment.
2) Amount recorded in revaluation reserves (note 4.30).

Banco BPI carried out a series of operations relating to the transfer of financial assets (Loans to Customers) to specialized credit recovery funds (Fundo de Recuperação, FCR and Fundo de Reestruturação Empresarial FCR). These funds aim to recover companies that, despite having financial difficulties, have sustainable business models.

In addition, under the transfer of asset operations, the Bank subscribed for:

- participating units in the credit recovery funds and in the companies controlled by these funds;
- shares and shareholders' loans of companies controlled by these funds.

The credit recovery funds in which Banco BPI participates have a specific management structure, fully independent of the Bank and are held by several banks in the market (which are credit transferors). The Bank has a minority interest in these funds.

At 31 December 2013 and 2012, the portfolio of financial assets available for sale includes 72 951 th. euro and 64 596 th. euro, respectively, relating to securities and shareholders' loans subscribed for by Banco BPI under transfer of assets operations:

	31 Dec. 13				
	Subscribed securities under operations of tranfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net value
Fundo de Recuperação, FCR[2]	81 916	15 151	(14 037)	(15 151)	67 879
Fundo de Reestruturação Empresarial, FCR	5 072				5 072
	86 988	**15 151**	**(14 037)**	**(15 151)**	**72 951**

Note: Amount net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 1 293 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. and Moretextile S.A.

	31 Dec. 12				
	Subscribed securities under operations of tranfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net value
Fundo de Recuperação, FCR[2]	73 601	15 151	(10 645)	(14 111)	63 996
Fundo de Reestruturação Empresarial, FCR	600				600
	74 201	**15 151**	**(10 645)**	**(14 111)**	**64 596**

Note: Amount net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 858 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. e Moretextile S.A.

Operations relating to the transfer of assets carried out by Banco BPI include the sale of loans granted to operating industrial and hospitality companies, which, because of the change of the economic environment, were having difficulties in complying with their financial commitments to the Bank. All the assets sold correspond to loans to corporate Customers of Banco BPI, no real estate having been traded.

As the Bank does not have control, since it has no influence over the Funds or the companies that own the assets, in accordance with IAS 39 it derecognised the loans transferred. The loans sold totalled 66 405 th. euro and 62 508 th. euro at 31 December 2013 and 2012, respectively.

	31 Dec. 13			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	103 589	40 918	85 788	10 228
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	107 323	**40 918**	**89 522**	**10 228**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

	31 Dec. 12			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	103 426	40 918	85 626	10 228
	103 426	**40 918**	**85 626**	**10 228**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Loans and advances to Bank of Portugal		14 500
Loans and advances to other Portuguese credit institutions		
Deposits	346 060	50 000
Other loans	59 100	34 800
Securities purchased with resale agreements	4 670	
Other advances	9 491	4 122
Accrued interest	843	650
	420 164	**89 572**
Loans and advances to other foreign central banks	327 540	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	309 416	135 305
Deposits	105 131	23 746
Loans	44	40
Securities purchased with resale agreements	28 881	
Other loans and advances	693 730	1 005 629
Accrued interest	1 187	4 590
	1 465 929	**1 607 607**
Commission relating to amortised cost (net)	(21)	
	1 886 072	**1 711 679**
Impairment	(2)	(952)
	1 886 070	**1 710 727**

The changes in impairment losses and provisions in 2013 and 2012 are shown in note 4.20.

4.7. Loans and advances to Customers

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Loans		
Domestic loans		
Companies		
Discount	91 484	125 101
Loans	5 123 437	5 163 276
Commercial lines of credit	852 796	1 052 342
Demand deposits – overdrafts	134 342	325 973
Invoices received – factoring	375 189	536 779
Finance leasing	215 594	265 261
Real estate leasing	373 626	438 986
Other loans	18 328	23 628
Loans to individuals		
Housing	11 390 108	11 743 141
Consumer	717 098	828 012
Other loans	498 513	550 503
Foreign loans		
Companies		
Discount	622	1 423
Loans	2 245 142	2 377 834
Commercial lines of credit	144 305	228 415
Demand deposits – overdrafts	22 259	26 571
Invoices received – factoring	826	1 040
Finance leasing	171	504
Real estate leasing	884	985
Other loans	301 621	293 771
Loans to individuals		
Housing	210 177	161 429
Consumer	223 910	305 101
Other loans	87 326	77 889
Accrued interest	63 544	64 618
	23 091 302	**24 592 582**

(continues) ▷

(continued)

	31 Dec. 13	31 Dec. 12
Securities		
Issued by Portuguese government entities	99 963	199 863
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 267 965	957 446
Commercial paper	986 755	1 181 053
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	374 443	198 575
Subordinated debt securities	24 720	24 720
Accrued interest	19 213	13 671
Deferred interest	(911)	(1 334)
	2 772 148	**2 573 994**
Correction of the amount of hedged assets	33 922	49 156
Commission relating to amortised cost (net)	2 467	(4 501)
	25 899 839	**27 211 231**
Overdue loans and interest	997 229	917 399
Loan impairment	(931 935)	(783 157)
	25 965 133	**27 345 473**

The caption LOANS TO CUSTOMERS includes the following non-derecognised securitised assets:

	31 Dec. 13	31 Dec. 12
Non-derecognised securitised assets[1]		
Loans		
Housing	4 618 430	4 832 928
Loans to SME's	3 101 221	3 223 577
Accrued interest	18 500	17 727
	7 738 151	**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 of the assets and liabilities sold 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 th. euro in the caption LOANS TO CUSTOMERS (of which 757 335 th. euro in performing loans). The effect of the repurchase was recognised in net income on financial operations (note 4.40).

At 31 December 2013 and 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:

- 5 729 852 th. euro and 5 701 444 th. euro, respectively, allocated as collateral to mortgage bonds;
- 673 149 th. euro and 660 991 th. euro, respectively, allocated as collateral to public sector bonds.

The securities portfolio includes the following assets to cover capitalisation insurance contracts issued by BPI Vida e Pensões:

	31 Dec. 13	31 Dec. 12
Debt instruments		
Issued by Portuguese government entities	99 963	199 863
Issued by other Portuguese entities	1 238 859	380 005
Issued by other foreign entities	377 812	191 201
	1 716 634	**771 069**

The changes in impairment losses and provisions in 2013 and 2012 are presented in note 4.20.

The breakdown of the caption LOANS by country is as follows:

	31 Dec. 13	31 Dec. 12
Portugal	19 753 398	20 966 234
Spain	1 541 125	1 762 071
Angola	1 378 149	1 412 705
Holland	100 105	48 363
France	92 321	92 318
Cape Verde	73 998	65 890
Mozambique	23 351	25 647
Switzerland	11 993	12 908
South Africa	11 378	10 561
Mauritius	10 654	18 184
Venezuela	7 679	7 639
Brazil	5 031	5 623
United States of America	4 333	5 659
Luxembourg	2 615	80 996
Other	11 628	13 166
	23 027 758	**24 527 964**

Note: Excludes interest receivable.

The BPI Group's portfolio of loans and advances to Customers, guarantees given and impairment at 31 December 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	215 657	0.8	5 720	0.6	4 050	0.2	10 251	1.0
Forestry and forest operations	10 867		787	0.1	708		727	0.1
Fishing	36 818	0.1	40 331	4.1	943		33 904	3.6
Mining	130 382	0.5	1 678	0.2	5 170	0.2	1 657	0.2
Beverage, tobacco and food	397 462	1.5	11 411	1.1	99 848	4.7	17 756	1.8
Textiles and clothing	96 329	0.4	5 024	0.5	12 750	0.6	12 929	1.3
Leather and related products	17 527	0.1	567	0.1	1 070	0.1	660	0.1
Wood and cork	45 420	0.2	8 289	0.8	16 758	0.8	5 826	0.6
Pulp, paper and cardboard and graphic arts	201 160	0.8	6 226	0.6	4 214	0.2	6 303	0.6
Coke, refined petroleum products and fuel pellets	150 200	0.6			19 621	0.9	67	
Chemicals, synthetic or artificial fibres, except pharmaceutical products	106 589	0.4	320		4 711	0.2	470	
Base pharmaceutical products and pharmaceutical mixtures	40 938	0.2			2 137	0.1	201	
Rubber and plastic materials	65 625	0.3	1 317	0.1	11 477	0.5	1 602	0.2
Other mineral non-metallic products	295 969	1.1	2 917	0.3	33 114	1.6	12 131	1.2
Metalworking industries	203 987	0.8	7 215	0.7	41 378	2.0	10 457	1.1
Computers, electronic, electrical and optical equipment	93 475	0.4	2 198	0.2	17 367	0.8	2 751	0.3
Transport equipment	48 577	0.2	1 329	0.1	18 509	0.9	1 851	0.2
Other manufacturing industries	58 388	0.2	5 990	0.7	11 076	0.5	6 336	0.6
Electricity, gas and water	875 134	3.4	476		49 391	2.3	2 711	0.3
Water treatment and collection	399 268	1.5	6 628	0.7	57 249	2.7	9 168	0.9
Construction	822 562	3.2	150 627	15.2	435 310	20.7	160 521	16.4
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 448 155	5.6	86 969	8.7	186 037	8.8	98 228	10.0
Transport and storage	1 533 349	6.0	67 065	6.7	316 891	15.1	51 893	5.3
Restaurants and hotels	387 607	1.5	51 915	5.2	31 049	1.5	30 885	3.2
Information and communication activities	421 567	1.6	6 380	0.6	145 236	7.0	23 258	2.4
Investment holding companies	240 826	0.9	10 601	1.1	41 969	2.0	6 882	0.7
Financial intermediation, except for insurance and pension funds	761 911	3.0	27 628	2.8	49 568	2.4	24 883	2.5
Insurance, reinsurance and pension funds, except for mandatory social security	156				1 827	0.1	10	
Auxiliary activities to financial services and insurance	25 272	0.1	175		675		206	
Real estate	459 382	1.8	25 213	2.5	53 209	2.5	19 461	2.1
Consulting, scientific, technical and similar activities	360 891	1.4	12 315	1.2	71 856	3.5	20 044	2.1
Administrative and support services	266 023	1.0	12 640	1.3	12 648	0.6	15 014	1.5
Public administration, defence and mandatory social security	1 319 159	5.1	3 346	0.3	29 012	1.4	66	
Education	32 461	0.1	1 344	0.1	3 649	0.2	1 159	0.1
Healthcare and welfare	170 327	0.7	2 393	0.2	4 638	0.2	2 798	0.3
Leisure, cultural and sports activities	72 150	0.3	7 755	0.8	33 457	1.6	8 670	0.9
Other service companies	198 876	0.8	2 490	0.2	2 745	0.1	4 197	0.4
Other companies[4]	1 255		249		1 006		14 491	1.5
Individuals								
Housing loans	11 424 442	44.3	309 774	31.1			218 454	22.3
Others	1 263 938	4.9	57 970	5.8	46 821	2.2	64 440	6.6
Non-residents								
Financial and credit institutions	696		5		16 132	0.8	27	
Non-financial companies	642 075	2.5	45 424	4.6	131 196	6.2	52 924	5.4
Individuals	438 752	1.7	6 528	0.7	80 299	3.8	21 791	2.2
	25 781 604	**100.0**	**997 229**	**100.0**	**2 106 771**	**100.0**	**978 060**	**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 641 th. 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 31 December 2012, by business sector, is made up as follows:

	Loans[1]		Overdue Loans		Guarantees given[2]		Impairment[3]	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Domestic activity								
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
Metalworking 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 water	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	15.8	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	1.4	53 203	5.9	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 social security	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 welfare	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
International activity								
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 th. 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 31 December 2013 is made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
SECURITIES				
Debt Instruments				
Issued by Portuguese entities				
Portuguese public debt				
REPUBLICA DE PORTUGAL 3.75% – 29.01.2018	50 000 000	50 000	50 807	
REPUBLICA PORTUGUESA – TV – 03.11.2015	50 000 000	49 963	50 215	
		99 963	**101 022**	
Other residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	86 409 887	86 410	86 410	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		86 460	**86 460**	
Other bonds				
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	36 500 000	30 382	36 509	
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	6 602	
AUTO-SUECO – 2013 / 2018	30 000 000	30 000	30 783	
BA GLASS I – SERV.GEST.INV.-TV-22.12.15	10 000 000	10 000	10 010	
BANCO COMERCIAL PORT.-9.25%-13.10.2014	1 550 000	1 608	1 639	
BANCO ESPIRITO SANTO S.A. 5.875%-09.11.2015	21 000 000	20 963	21 139	
BANIF – TAX.VAR. (30.12.2015)[2]	11 800 000	11 800	11 801	570
BCP – 5.625% – 23.04.2014	7 100 000	7 089	7 364	
BES – 3.375%-17.02.2015	13 700 000	13 805	14 206	
BES – 3.875%-21.01.2015	2 500 000	2 493	2 584	
BES – 5.625%-05.06.2014	11 850 000	11 841	12 223	
BRISA – 4.5% – 05.12.2016	8 200 000	7 989	8 015	
BRISA – CONCESSAO ROD. – 6.25%-05.12.2014	25 000 000	25 000	25 109	
BRISA – CONCESSAO ROD.S.A. – TV-07.06.2020	60 000 000	58 913	59 090	
CAIXA GERAL DE DEPóSITOS 5.625%-04.12.15	17 700 000	17 756	17 829	
CAIXA GERAL DE DEPOSITOS-8%-28.09.2015	12 400 000	12 797	13 052	
CELBI CELULOSE BEIRA IND.-TV(08.02.2015)	53 500 000	51 987	53 762	
CGD – 3.625%-21.07.2014	9 500 000	9 552	9 705	
CGD – 3.75%-18.01.2018	9 000 000	8 972	9 293	
CGD – 5.125%-19.02.2014	500 000	500	522	
EDIA S.A.-TV-30.01.2027	16 180 000	16 180	16 204	
EDIA – EMP. DES. DO ALQUEVA – TV-11.08.2030	19 250 000	19 250	19 476	
EDP FINANCE BV-4.75%-26.09.2016	12 275 000	12 355	12 508	
GALP 2013 / 2018	150 000 000	150 000	151 361	
GRUPO VISABEIRA SGPS-TV-13.07.2014	5 000 000	5 000	5 028	
JMR – 2012 / 2015	175 000 000	175 000	175 254	
JMR – 2012 / 2015	25 000 000	25 000	25 054	
MOTA-ENGIL SGPS-TV-30.12.2016	15 000 000	15 000	15 002	
POLIMAIA / 1989 – SR.C (AC.CRED.)	7			
PORTUGAL TELECOM SGPS,S.A.-6.25%-2016	50 000 000	50 003	51 340	
REN-REDES ENERG.NAC.-TV-16.01.2020	100 000 000	100 000	101 051	
SECIL – 2013 / 2016	40 000 000	40 000	40 165	
SECIL – 2013 / 2018	40 000 000	40 000	40 193	
SEMAPA – 2006 / 2016 2.ª	41 500 000	39 869	41 558	
Semapa TV (20.04.2016)[3]	7 650 000	7 640	7 665	
SONAE CAPITAL SGPS – TV – 17.01.2016	10 000 000	10 000	10 218	
SONAE DISTRIBUIÇAO SETEMBRO – 2007 / 2015	13 200 000	13 200	13 237	
SONAE DISTRIBUIÇAO SETEMBRO – 2007 / 2015	6 800 000	6 800	6 819	
ZON MULTIMEDIA 2010-2014	100 000 000	100 834	100 195	
		1 173 078	**1 190 467**	**570**
Commercial Paper			988 449	4 205
			988 449	**4 205**

1) Additionally, the Bank recorded collective impairment of 4 936 th. euro.
2) 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).
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).

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
Issued by others non-residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
HSBC BRAZIL-SR.2006-A-15.04.2016	5 589 390	5 252	5 499	
RED & BLACK PRIME RUS-S07-1 CA-01.19.35	600 925	601	601	
SARATOGA CLO I LTD-SR.2006-1X-CL-A2-2019	7 251 106	7 250	7 252	
SARATOGA CLO I LTD-SR.2006-1X-CL-B-2019	2 175 332	2 175	2 176	
VB DPR FIN CO-SR.2010-1A-CL.B-15.06.2014	759 105	736	757	
YAPI KREDIT FIN-SR.2010-CL.C-21.11.2014	1 200 001	1 156	1 192	
		17 170	**17 477**	
Other bonds				
BANCO DE SABADELL S.A. 4.25% – 19.09.2014	7 900 000	7 900	7 995	
BANCO DE SABADELL S.A.-3.375%-13.01.2018	16 000 000	15 936	16 442	
BBVA SENIOR FINANCE S.A.-TV-14.09.2015	65 000 000	64 627	65 075	
BBVA SENIOR FINANCE-4.875%-23.01.2014	6 900 000	6 904	7 220	
BPE FINANCIACIONES S.A.-4%-17.07.2015	14 800 000	14 775	15 046	
CAIXABANK-3.25%-22.01.2016	14 800 000	14 767	15 219	
EDDYSTONE FIN.SR2006-1 CLA1B 19.04.2021[2]	382 459	281	282	
EDP FINANCE BV – 3.75% (22.06.2015)	2 349 000	2 376	2 422	
EDP FINANCE BV-3.25%-16.03.2015	12 982 000	12 991	13 326	
EDP FINANCE BV-4.625% (13.06.2016)	6 903 000	7 033	7 209	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 447	80 622	
EDP FINANCE BV-5.875%-01.02.2016	22 228 000	23 072	24 264	
EIRLES THREE LTD(SERIES 297)-31.12.2021	6 879 563	5 971	5 971	
ENEL FINANCE INTL S.A.-4%-14.09.2016	6 700 000	6 852	6 932	
EURO-VIP / 1990[3]	4 350 663	3 872	3 891	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 953	7 003	
PORTUGAL TELECOM I.F.-5.625%-08.02.2016	5 700 000	5 896	6 182	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 962	7 019	
REPSOL S.A.-4.25%-12.02.2016	6 800 000	6 891	7 146	
SANTANDER INTL DEBT S.A.-4.375%-04.09.2014	7 000 000	7 032	7 131	
SANTANDER INTL DEBT S.A.-TV-28.09.2015	40 000 000	40 000	40 002	
TELECOM ITALIA SPA 8.25% – 21.03.2016	6 100 000	6 600	6 993	
TELEFONICA EMISIONES-4.375% (02.02.2016)	5 100 000	5 073	5 276	
UNICREDIT SPA 4.375% 11.09.2015	4 700 000	4 750	4 813	
		356 961	**363 481**	
Subordinated debt				
Bonds				
B.FINANTIA INTL LTD-CAY-TV.(04.05.2015)[4]	3 500 000	3 500	3 514	
BANCO FINANTIA INTL LTD-TV-26.07.2017[4]	8 500 000	8 500	8 538	
BANCO FINANTIA INTL-TV. (28.07.2016)[4]	4 000 000	4 000	4 018	
BANIF FINANCE(CAY)-TV-29.12.2014[4]	4 220 000	4 220	4 220	373
ESPIRITO SANTO INVST PLC-TV.(20.12.2015)[4]	4 500 000	4 500	4 502	
		24 720	**24 792**	**373**
			2 772 148	**5 148**

1) Additionally, the Bank recorded collective impairment of 4 936 th. euro.
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING, in 2009, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.48).
3) Securities reclassified from the caption FINANCIAL ASSETS AVAILABLE FOR SALE in 2013 (notes 2 and 4.48).
4) 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).

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 31 December 2013 this did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	24 457	160 650
Bonds issued by foreign government entities	59 965	69 867
Bonds issued by other foreign entities		
Non-subordinated debt	49 980	201 073
Subordinated debt	1 900	11 349
Accrued interest	575	2 359
	136 877	**445 298**

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

At 31 December 2013 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment
SECURITIES				
Debt Instruments				
Issued by others residents				
Non-subordinated debt				
Bonds				
BANCO COMERCIAL PORTUGUES – TV-09.05.2014	13 500 000	13 264	13 271	
CGD – 5.125%-19.02.2014	10 000 000	10 016	10 459	
SEMAPA – TV (20.04.2016)[2]	1 200 000	1 176	1 180	
		24 456	**24 910**	
Issued by non-residents				
Issued by foreign government entities				
Bonds				
BONOS Y OBLIG DEL ESTADO-TV-17.03.2015	60 000 000	59 965	59 981	
		59 965	**59 981**	
Issued by other non resident entities				
Non-subordinated Debt				
Bonds				
BANCA CARIGE SPA – TV-07.06.2016[2]	1 000 000	1 000	1 001	
CRITERIA CAIXA CORP.-4.125%-20.11.2014	14 800 000	14 788	14 855	
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6 000	6 013	
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	3 815	3 819	
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	501	
VODAFONE GROUP PLC – TV-06.06.2014	10 000 000	9 978	9 982	
		49 981	**50 083**	
Subordinated debt				
Bonds				
CAM INTERNATIONAL – TV-26.04.2017[2]	1 900 000	1 900	1 903	
		1 900	**1 903**	
		136 302	**136 877**	

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 2013 were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec. 12	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.13	Balance at 31 Dec.12	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.13	Balance at 31 Dec.13	Balance at 31 Dec.12
Property														
Property for own use	136 800	598	(142)	6 846	(5 976)	138 126	26 172	2 578	(40)		(628)	28 082	110 044	110 628
Other property	104					104	35	1				36	68	69
Leasehold improvements	112 360	661	(1 729)	1 457	(2 610)	110 139	97 543	2 403	(1 544)	(164)	(1 754)	96 484	13 655	14 817
	249 264	**1 259**	**(1 871)**	**8 303**	**(8 586)**	**248 369**	**123 750**	**4 982**	**(1 584)**	**(164)**	**(2 382)**	**124 602**	**123 767**	**125 514**
Equipment														
Furniture and fixtures	52 835	1 043	(367)	95	(786)	52 820	44 001	1 880	(360)		(380)	45 141	7 679	8 834
Machinery and tools	14 203	554	(438)	(16)	(247)	14 056	12 405	630	(436)		(152)	12 447	1 609	1 798
Computer hardware	187 920	6 856	(8 929)	1 158	(1 573)	185 432	178 735	6 833	(8 907)		(1 280)	175 381	10 051	9 185
Interior installations	160 475	1 512	(6 923)	1 015	(518)	155 561	116 553	10 002	(4 374)	9	(238)	121 952	33 609	43 922
Vehicles	10 758	1 981	(606)	215	(626)	11 722	7 301	2 012	(554)		(432)	8 327	3 395	3 457
Security equipment	27 692	719	(263)	(952)	(289)	26 907	22 704	1 056	(248)		(149)	23 363	3 544	4 988
Other equipment	620	3		(9)	(31)	583	133	7			(1)	139	444	487
	454 503	**12 668**	**(17 526)**	**1 506**	**(4 070)**	**447 081**	**381 832**	**22 420**	**(14 879)**	**9**	**(2 632)**	**386 750**	**60 331**	**72 671**
Tangible assets in progress	9 624	11 721		(10 330)	(341)	10 674							10 674	9 624
Other tangible assets	12 991	6	(427)			12 570	10 111	235	(341)			10 005	2 565	2 880
	22 615	**11 727**	**(427)**	**(10 330)**	**(341)**	**23 244**	**10 111**	**235**	**(341)**			**10 005**	**13 239**	**12 504**
	726 382	**25 654**	**(19 824)**	**(521)**	**(12 997)**	**718 694**	**515 693**	**27 637**	**(16 804)**	**(155)**	**(5 014)**	**521 357**	**197 337**	**210 689**

The changes in other tangible assets in 2012 were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec.11	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at 31 Dec.12**	**Balance at 31 Dec.11**	**Depreciation for the year**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at 31 Dec.12**	**Balance at 31 Dec.12**	**Balance at 31 Dec.11**
Property														
Property for own use	130 653	8 262	(4 491)	4 844	(2 468)	136 800	24 318	2 318	(292)	43	(215)	26 172	110 628	106 335
Other property	314		(210)			104	159	1	(125)			35	69	155
Leasehold improvements	114 522	1 118	(3 555)	1 298	(1 023)	112 360	99 142	2 633	(3 488)	(51)	(693)	97 543	14 817	15 380
	245 489	**9 380**	**(8 256)**	**6 142**	**(3 491)**	**249 264**	**123 619**	**4 952**	**(3 905)**	**(8)**	**(908)**	**123 750**	**125 514**	**121 870**
Equipment														
Furniture and fixtures	52 086	1 764	(649)	(49)	(317)	52 835	42 795	1 981	(637)	(3)	(135)	44 001	8 834	9 291
Machinery and tools	13 821	752	(287)	14	(97)	14 203	12 020	721	(281)	3	(58)	12 405	1 798	1 801
Computer hardware	187 311	3 013	(2 654)	846	(596)	187 920	173 131	8 682	(2 631)	19	(466)	178 735	9 185	14 180
Interior installations	161 255	1 564	(3 162)	1 012	(194)	160 475	109 023	10 591	(2 960)	(13)	(88)	116 553	43 922	52 232
Vehicles	9 542	2 559	(1 092)	15	(266)	10 758	6 490	2 041	(1 066)	2	(166)	7 301	3 457	3 052
Security equipment	27 288	774	(380)	148	(138)	27 692	21 806	1 329	(377)	2	(56)	22 704	4 988	5 482
Other equipment	746	5	(118)		(13)	620	244	11	(118)	(3)	(1)	133	487	502
	452 049	**10 431**	**(8 342)**	**1 986**	**(1 621)**	**454 503**	**365 509**	**25 356**	**(8 070)**	**7**	**(970)**	**381 832**	**72 671**	**86 540**
Tangible assets in progress	13 533	9 308		(13 149)	(68)	9 624							9 624	13 533
Other tangible assets	13 369	2	(387)	7		12 991	10 204	274	(367)			10 111	2 880	3 165
	26 902	**9 310**	**(387)**	**(13 142)**	**(68)**	**22 615**	**10 204**	**274**	**(367)**			**10 111**	**12 504**	**16 698**
	724 440	**29 121**	**(16 985)**	**(5 014)**	**(5 180)**	**726 382**	**499 332**	**30 582**	**(12 342)**	**(1)**	**(1 878)**	**515 693**	**210 689**	**225 108**

4.10. Intangible assets

The changes in intangible assets in 2013 were as follows:

	Gross						Amortization					Net	
	Balance at 31 Dec.12	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.13	Balance at 31 Dec.12	Amortization for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec.13	Balance at 31 Dec.13	Balance at 31 Dec.12
Software	65 116	1 869	(20)	4 430	(351)	71 044	59 089	3 727	(20)	(215)	62 581	8 463	6 027
Other intangible assets	30 144		(1 317)		(92)	28 735	27 460	12	(1 317)	(92)	26 063	2 672	2 684
	95 260	**1 869**	**(1 337)**	**4 430**	**(443)**	**99 779**	**86 549**	**3 739**	**(1 337)**	**(307)**	**88 644**	**11 135**	**8 711**
Intangible assets in progress	5 306	7 848		(5 140)		8 014						8 014	5 306
	100 566	**9 717**	**(1 337)**	**(710)**	**(443)**	**107 793**	**86 549**	**3 739**	**(1 337)**	**(307)**	**88 644**	**19 149**	**14 017**

The changes in intangible assets in 2012 were as follows:

	Gross						Amortization					Net	
	Balance at 31 Dec.11	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.12	Balance at 31 Dec.11	Amortization for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec.12	Balance at 31 Dec.12	Balance at 31 Dec.11
Software	60 371	1 700	(76)	3 236	(115)	65 116	56 770	2 457	(75)	(63)	59 089	6 027	3 601
Other intangible assets	30 553		(371)		(38)	30 144	27 834	35	(371)	(38)	27 460	2 684	2 719
	90 924	**1 700**	**(447)**	**3 236**	**(153)**	**95 260**	**84 604**	**2 492**	**(446)**	**(101)**	**86 549**	**8 711**	**6 320**
Intangible assets in progress	3 237	4 493		(2 424)		5 306						5 306	3 237
	94 161	**6 193**	**(447)**	**812**	**(153)**	**100 566**	**84 604**	**2 492**	**(446)**	**(101)**	**86 549**	**14 017**	**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	
	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	44 967	38 891
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	95 875	80 654
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	27 935	24 594
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	32.8	32.8	20 507	26 560
Inter-Risco – Sociedade de Capital de Risco, S.A.	49.0	49.0	669	595
Unicre – Instituição Financeira de Crédito, S.A.	21.0	21.0	32 039	30 961
			221 992	**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:

	31 Dec. 13	31 Dec. 12
Current tax assets		
Corporate income tax recoverable	20 234	7 162
Others	2 003	2 047
	22 237	**9 209**
Deferred tax assets		
Due to temporary differences	430 568	536 549
Due to tax losses carried forward	86 887	71 934
	517 455	**608 483**
	539 692	**617 692**

Details of deferred tax assets are presented in note 4.44.

4.13. Other assets

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Debtors, other applications and other assets		
Debtors for future operations	11 609	10 492
Collateral accounts	5 289	3 727
Other aplications	12 592	7 183
VAT recoverable	173	115
Debtors for loan interest subsidy receivable	5 429	6 811
Other debtors	86 374	129 068
Overdue debtors and other applications	571	432
Impairment	(308)	(395)
Other assets		
Gold	51	49
Other available funds and other assets	807	814
	122 587	**158 296**
Tangible assets available for sale	174 361	169 397
Impairment	(35 781)	(64 707)
	138 580	**104 690**
Accrued income		
For irrevocable commitments assumed in relation to third parties	263	226
For banking services rendered to third parties	2 428	2 484
Other accrued income	31 551	28 380
	34 242	**31 090**

(continues)

(continued)

	31 Dec. 13	31 Dec. 12
Deferred expenses		
Insurance	14	3
Rent	3 456	1 946
Other deferred expenses	8 459	7 313
	11 929	**9 262**
Liability for pensions and other benefits (note 4.26)		
Pension fund asset value		
Pensioners and employees	1 129 067	986 874
Directors	35 262	32 638
Past service liabilities		
Pensioners and employees	(1 082 369)	(937 090)
Directors	(39 137)	(35 113)
Others	(1 143)	(999)
Changes in the pension plan conditions to be amortised		
Others		63
	41 680	**46 373**
Other accounts		
Stock exchange transactions pending settlement	6 837	17 761
Non stock exchange transactions pending settlement		21 393
Operations on assets pending settlement	354 523	261 497
	361 360	**300 651**
	710 378	**650 362**

The caption OTHER APPLICATIONS at 31 December 2013 and 2012 includes 7 404 th. euro and 4 019 th. 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 31 December 2013 and 2012 includes 72 511 th. euro and 102 319 th. 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 th. euro, part of the proceeds from the sale being paid in eight annual instalments, from 2009 to 2016, plus compensation due to monetary correction.

The changes in tangible assets available for sale in 2013 were as follows:

	Balance at 31 Dec. 12			Aquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at 31 Dec. 13		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	162 320	(63 418)	98 902	48 204	(42 198)	12 065	18 139	(75)	168 251	(33 214)	135 037
Equipment	2 701	(1 025)	1 676	3 312	(3 877)	288	(571)	(7)	2 129	(1 308)	821
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 315	(203)	4 112		(395)	197	(1 192)		3 920	(1 198)	2 722
	169 397	**(64 707)**	**104 690**	**51 516**	**(46 470)**	**12 550**	**16 376**	**(82)**	**174 361**	**(35 781)**	**138 580**

The changes in tangible assets available for sale in 2012 were as follows:

	Balance at 31 Dec. 11			Aquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Balance at 31 Dec. 12		
	Gross	Impairment	Net		Gross	Impairment		Gross	Impairment	Net
Assets received in settlement of defaulting loans										
Real estate	139 198	(53 561)	85 637	52 177	(29 055)	4 528	(14 385)	162 320	(63 418)	98 902
Equipment	2 151	(838)	1 313	4 001	(3 451)	236	(423)	2 701	(1 025)	1 676
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**	**56 178**	**(32 506)**	**4 764**	**(14 808)**	**169 397**	**(64 707)**	**104 690**

Following Bank of Portugal Circular 11 / 2013 / DSP of 20 September (Carta Circular No. 11 / 2013 / DSP), the BPI Group updated the appraisals of all the properties acquired in settlement of its loans. In this process, the BPI Group determined an excess impairment of 29 726 th. euro in relation to the criteria adopted up to that date and made the respective reversal in the fourth quarter of 2013 (note 4.20).

The caption OTHER ACCRUED INCOME at 31 December 2013 and 2012 includes 19 380 th. euro and 19 607 th. euro, respectively, relating to accrued commission from participation on the results of insurance products (notes 2.14 and 4.39).

At 31 December 2013 and 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 31 December 2013 and 2012 refers to the sale of securities only settled in the following month.

The caption NON STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2012 refers to the sale of securities only settled in the following month.

At 31 December 2013 and 2012 the balance of the caption ASSET OPERATIONS PENDING ADJUSTMENT includes:

- 282 640 th. euro and 194 994 th. 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;
- 32 576 th. euro and 15 960 th. euro, respectively, relating to taxes to be settled, of which 8 631 th. euro and 11 977 th. euro, respectively, relate to taxes in litigation, paid under Decree-Law 248-A / 02 of 14 November. The balance at 31 December 2013 also includes 19 921 th. euro relating to taxes in litigation paid under Decree-Law 151-A / 13 of 31 October;
- 9 669 th. euro and 11 410 th. euro, respectively, relating to housing loans pending settlement;
- 18 432 th. euro and 13 500 th. euro, respectively, relating to transfers under SEPA (Single Euro Payments Area).

The changes in impairment losses and provisions in 2013 and 2012 are shown in note 4.20.

4.14. Resources of central banks

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Resources of the Bank of Portugal		
Deposits	4 073 961	4 217 432
Accrued interest	55 501	33 073
Resources of other central banks		
Deposits	10 579	20 323
Accrued interest	27	90
	4 140 068	**4 270 918**

In 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:

	31 Dec. 13	31 Dec. 12
Short selling		
Debt instruments		
Bonds issued by foreign government entities		233
Derivative instruments with negative fair value (note 4.4)	255 245	339 931
	255 245	**340 164**

4.16. Resources of other credit institutions

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Resources of Portuguese credit institutions		
Interbank money market		150 000
Very short term resources		11 369
Deposits	152 118	109 266
Loans		35
Other resources	6 061	7 174
Accrued interest	699	187
	158 878	**278 031**
Resources of foreign credit institutions		
Deposits of international financial organisations	163 332	192 997
Very short term resources	924	57 979
Deposits	159 683	173 119
Debt securities sold with repurchase agreements	865 667	1 714 249
Other resources	96 201	140 881
Accrued interest	1 195	1 185
	1 287 002	**2 280 410**
Correction of the amount of hedged liabilities	7 444	10 505
Commission relating to amortised cost	(75)	(525)
	1 453 249	**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:

	31 Dec. 13	31 Dec. 12
Demand deposits	8 050 286	7 811 054
Term deposits	16 375 651	15 745 657
Savings deposits	117 349	229 449
Compulsory deposits	6 795	7 210
Cheques and orders payable	60 662	75 776
Debt securities sold with repurchase agreement	106 798	
Other resources of Customers	50 015	54 291
Capitalisation insurance products – unit links	430 206	323 885
Capitalisation insurance products – guaranteed rate and guaranteed retirement	85 782	144 409
Accrued interest	185 447	185 564
	25 468 991	**24 577 295**
Correction of the amount of hedged liabilities	25 973	43 844
Commission relating to amortised cost (net)	(3)	
	25 494 961	**24 621 139**

The caption RESOURCES OF CUSTOMERS at 31 December 2013 included 205 652 th. euro and 153 918 th. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (414 394 th. euro and 104 507 th. euro, respectively, at 31 December 2012).

4.18. Debt securities

This caption is made up as follows:

	31 Dec. 13				31 Dec. 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					19 889		19 889	2.2%
					19 889		**19 889**	
Covered bonds								
EUR	4 325 000	(2 805 600)	1 519 400	1.6%	4 325 000	(2 752 600)	1 572 400	1.6%
	4 325 000	**(2 805 600)**	**1 519 400**		**4 325 000**	**(2 752 600)**	**1 572 400**	
Fixed rate cash bonds								
EUR	842 580	(201 091)	641 489	4.2%	1 655 548	(318 274)	1 337 274	3.9%
CHF					824	(62)	762	3.3%
USD	11 333	(2 871)	8 462	3.4%	147 579	(29 438)	118 141	3.6%
CAD					23 046	(1 945)	21 101	4.5%
JPY	27 640		27 640	2.5%	35 208		35 208	2.5%
	881 553	**(203 962)**	**677 591**		**1 862 205**	**(349 719)**	**1 512 486**	
Variable rate cash bonds								
EUR	142 000	(42 000)	100 000	0.9%	212 000	(101 050)	110 950	1.2%
USD					7 579	(3 085)	4 494	2.4%
	142 000	**(42 000)**	**100 000**		**219 579**	**(104 135)**	**115 444**	
Variable income cash bonds								
EUR	295 866	(87 127)	208 739		668 959	(248 288)	420 671	
USD	31 343	(8 513)	22 830		56 465	(38 461)	18 004	
	327 209	**(95 640)**	**231 569**		**725 424**	**(286 749)**	**438 675**	
	5 675 762	**(3 147 202)**	**2 528 560**		**7 152 106**	**(3 493 203)**	**3 658 903**	
Accrued interest			33 430				44 022	
Correction of the amount of hedged liabilities			45 031				96 008	
Premiums and commission (net)			(8 566)				(11 306)	
			69 895				**128 724**	
			2 598 455				**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 31 December 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 205 600 000	-	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 31 December 2013 and 2012, the cover pool allocated to the mortgage bonds amounted to 5 805 856 th. euro and 5 793 116 th. euro, respectively, of which 5 729 852 th. euro and 5 701 444 th. euro corresponded to mortgage loans (note 4.7).

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euro.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At 31 December 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 3m - 0.004%	Euribor 3m + 0.4%
Repurchases	-	EUR 250 000 000

At 31 December 2013 and 2012 the cover pool allocated to bonds over the public sector amounted to 679 696 th. euro and 686 846 th. euro, of which 673 149 th. euro and 660 991 th. euro corresponded to loans (note 4.7).

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- fixed rate – bonds issued on which the BPI Group is committed to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;

- variable rate – bonds issued on which the BPI Group is committed to pay income calculated based on a specified interest rate index published by an outside source (market);

- variable income – bonds issued for which the return is not known, or certain, at the issue date, and can be subject to changes depending on the evolution of certain underlying assets (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in 2013 were as follows:

	Deposit certificates	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2012	9	19 889	1 572 400	1 512 486	115 444	438 675	3 658 903
Bonds issued during the year				86 685		108 648	195 333
Bonds redeemed	(9)	(19 889)		(1 059 255)	(77 579)	(506 207)	(1 662 939)
Repurchases (net of resales)			(53 000)	145 660	62 135	190 726	345 521
Exchange difference				(7 985)		(273)	(8 258)
Balance at 31 December 2013			**1 519 400**	**677 591**	**100 000**	**231 569**	**2 528 560**

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 31 December 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 31 December 2012	**9**	**19 889**	**1 572 400**	**1 512 486**	**115 444**	**438 675**	**3 658 903**

Bonds issued by the BPI Group at 31 December 2013, by maturity date, are as follows:

	Maturity				
	2014	**2015**	**2016-2019**	**> 2019**	**Total**
Covered bonds					
EUR		794 400	725 000		1 519 400
		794 400	**725 000**		**1 519 400**
Fixed rate bonds					
EUR	364 879	146 191	110 419	20 000	641 489
USD	8 462				8 462
JPY				27 640	27 640
	373 341	**146 191**	**110 419**	**47 640**	**677 591**
Variable rate bonds					
EUR	100 000				100 000
	100 000				**100 000**
Variable income bonds					
EUR	118 203	14 122	76 414		208 739
USD		5 989	16 841		22 830
	118 203	**20 111**	**93 255**		**231 569**
Total	**591 544**	**960 702**	**928 674**	**47 640**	**2 528 560**

Bonds issued by the BPI Group at 31 December 2012, by maturity date, are as follows:

	Maturity					
	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:

	31 Dec. 13	31 Dec. 12
Liabilities relating to assets not derecognised in securitisation operations (note 4.7)		
Loans		
Housing loans	4 787 212	4 996 234
Loans to SME's	3 339 300	3 385 632
Liabilities held by the BPI Group	(6 738 114)	(6 790 808)
Accrued costs	1 457	2 898
Commission relating to amortised cost (net)	(2 559)	(2 972)
	1 387 296	**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 11 February 2011 Banco BPI launched its second small and medium companies securitisation operation, in the amount of 3 472 400 th. euro, under the name of Douro SME Series 2. The operation was issued through Sagres – Sociedade de Titularização de Créditos S.A. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Fitch / DBRS)	Guarantee	Spread / fixed rate
▪ Class A Notes	1 819 400	1.13	A / A	Without guarantee	0.15%
▪ Class B Notes	1 317 500	3.22	nr	Without guarantee	0.10%
▪ Class D Notes	202 400	3.22	nr	Without guarantee	Residual interest
Total of the issues	**3 339 300**				
Liabilities held by BPI Group	(3 339 300)				
Total					

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

On 24 November 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 th. euro, under the name of DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
▪ Class A Notes	412 660	6.18	Ba1 / A- / A	0.14%
▪ Class B Notes	8 732	6.18	Ba2 / BBB- / A	0.17%
▪ Class C Notes	7 938	6.18	Caa1 / BB- / BBB	0.27%
▪ Class D Notes	6 615	6.18	Caa2 / B / BB	0.47%
▪ Class E Notes	6 975	6.18	nr / nr / nr	Residual interest
Total of the issues	**442 919**			
Reserve fund	1			
Other funds	3			
Liabilities held by BPI Group	(88 992)			
Total	**353 931**			

1) Until the date of the call option (September 2014); after this date, if the option is not exercised, the spread doubles.

On 28 September 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
▪ Class A1 Notes	5 635	7.19	Baa3 / A- / A	0.05%
▪ Class A2 Notes	569 547	7.19	Ba2 / A- / A	0.14%
▪ Class B Notes	14 049	7.19	B3 / BB / BBB	0.17%
▪ Class C Notes	9 113	7.19	Caa1 / B / BB	0.23%
▪ Class D Notes	7 214	7.19	Caa2 / B- / B	0.48%
▪ Class E Notes	7 267	7.19	nr / nr / nr	Residual interest
Total of the issues	**612 824**			
Liabilities held by BPI Group	(242 817)			
Total	**370 007**			

1) Until the date of the call option (April 2015); after this date, if the option is not exercised, the spread doubles.

On 31 July 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
▪ Class A Notes	839 381	8.52	Ba2 / BBB- / A	0.16%
▪ Class B Notes	21 521	8.52	nr / B / BBB	0.17%
▪ Class C Notes	12 796	8.52	nr / B- / BB	0.23%
▪ Class D Notes	11 051	8.52	nr / B- / B	0.48%
▪ Class F Notes	1 251	8.52	nr / nr / nr	Residual interest
Total of the issues	**886 000**			
Liabilities held by BPI Group	(221 540)			
Total	**664 460**			

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 th. 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	1 154 465	8.07	A- / AA	0.15%
Class B Notes	202 500	20.51	nr / nr	0.20%
Class C Notes	45 000	20.74	nr / nr	0.25%
Class D Notes	22 500	20.74	nr / nr	Residual interest
Total of the issues	**1 424 465**			
Liabilities held by BPI Group	(1 424 465)			
Total				

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

On 6 August 2010 Banco BPI launched its fifth housing loan securitisation operation in the amount of 1 421 000 th. 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	8.18	A / AA	0.20%
Class B Notes	301 000	23.89	nr / nr	
Class C Notes	21 000	23.89	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 2013 were as follows:

	Balance at 31 Dec. 12	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 13
Impairment losses on loans and advances to credit institutions (note 4.6)	952		(538)	(394)	(18)	2
Impairment losses on loans and advances to Customers (note 4.7)	783 157	281 339	(6 514)	(121 999)	(4 048)	931 935
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	2 588	21	(996)	(1 013)	1 035	1 635
Equity instruments	46 089	214		(165)	(33)	46 105
Other securitites	15 068	3 120				18 188
Loans and other receivables	19 976	1 832		(31)	(1 034)	20 743
Impairment losses on other assets (note 4.13)						
Tangible assets held for sale	64 707	20 724	(37 100)	(12 550)		35 781
Debtors, other applications and other assets	395	75	(162)			308
Impairment losses and provisions for guarantees and commitments	48 106		(1 234)		(106)	46 766
Other provisions	90 292	7 369	(6 588)	(11 143)	(2 916)	77 014
	1 071 330	**314 694**	**(53 132)**	**(147 295)**	**(7 120)**	**1 178 477**

Utilisation of impairment losses on loans and advances to Customers in 2013 corresponds to credit write-offs.

The increase in impairment losses on loans and advances in 2013 includes 943 th. euro relating to the operations of BPI Vida, that was included under caption TECHNICAL RESULT OF INSURANCE CONTRACTS (note 4.38).

Following Bank of Portugal Circular 11 / 2013 / DSP, of 20 September (Carta Circular No. 11 / 2013 / DSP), the BPI Group updated the appraisals of all properties acquired as settlement of its loans. In this process, the BPI Group determined an excess impairment of 29 726 th. euro in relation to the criteria adopted up to that date and recorded the respective reversal in the fourth quarter of 2013, which is reflected in the changes in the caption IMPAIRMENT LOSSES ON TANGIBLE ASSETS HELD FOR SALE.

The changes in provisions and impairment losses of the Group in 2012 were as follows:

	Balance at 31 Dec. 11	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 12
Impairment losses on loans and advances to credit institutions (note 4.6)	3	959			(10)	952
Impairment losses on loans and advances to Customerss (note 4.7)	676 251	274 268	(18 223)	(148 048)	(1 091)	783 157
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	2 607	2 444	(30)	(2 443)	10	2 588
Equity instruments	45 189	970		(52)	(18)	46 089
Other securitites	3 571	11 497				15 068
Loans and other receivables	18 383	1 604			(11)	19 976
Impairment losses on financial assets held to maturity (note 4.8)						
Debt instruments	117 733			(117 733)		
Impairment losses on other assets (note 4.13)						
Tangible assets held for sale	54 663	29 827	(15 019)	(4 764)		64 707
Debtors, other applications and other assets	381	54	(1)	(39)		395
Impairment losses and provisions for guarantees and commitments	35 009	13 340			(243)	48 106
Other provisions	93 179	4 836	(368)	(7 110)	(245)	90 292
	1 046 969	**339 799**	**(33 641)**	**(280 189)**	**(1 608)**	**1 071 330**

Utilisation of impairment losses on loans and advances to Customers in 2012 includes 78 234 th. euro of write-offs, 8 416 th. euro of loans sold, and 61 397 th. 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).

Utilization of Impairment losses on financial assets held to maturity in 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.

In the first half of 2012 the BPI Group recognised impairment losses of 16 102 th. 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 th. euro was used and the remaining amount was annulled (note 4.5).

The accounting impact relating to the restructuring of Greek Government debt in 2012 and 2011 is shown in note 4.48 – Exposure to sovereign debt.

The caption OTHER PROVISIONS at 31 December 2012 includes provisions for tax contingencies and litigation in progress.

4.21. Technical provisions

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Immediate Life Annuity / Individual	5	5
Immediate Life Annuity / Group	26	27
Family Savings	26	38
BPI New Family Savings	1 481 043	1 167 097
BPI Retirement Guaranteed	143 920	112 092
BPI Retirement Savings	892 927	863 190
BPI Non Resident Savings	162 780	103 005
Planor	5 333	5 236
PPR BBI Life	2 542	3 394
Savings Investment Plan / Youths	1 080	1 187
South PPR	86	93
	2 689 768	**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:

	31 Dec. 13	31 Dec. 12
Current tax liability		
Corporate income tax payable	19 532	29 229
Other	68	1 132
	19 600	**30 361**
Deferred tax liability		
On temporary differences	37 977	89 815
	37 977	**89 815**
	57 577	**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:

	31 Dec. 13				31 Dec. 12			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Contingent convertible subordinated bonds								
EUR	1 200 000	(280 000)	920 000	8.8%	1 500 000	(300 000)	1 200 000	8.5%
	1 200 000	**(280 000)**	**920 000**		**1 500 000**	**(300 000)**	**1 200 000**	
Accrued interest			433				279	
			920 433				**1 200 279**	

In the beginning of June, 2012 Banco BPI's Board of Directors approved the Recapitalisation Plan for reinforcing core tier I 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 th. euro, includes:

- a share capital increase of 200 000 th. euro, with shareholders' pre-emptive rights;
- the issuance of debt instruments eligible for own funds, subscribed for by the Portuguese State, in the amount of 1 300 000 th. euro.

On 29 June 2012 the Portuguese State subscribed for debt instruments eligible for core tier I own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 th. euro. The features of these instruments are defined in Law 63 – A / 2008 of 24 November as republished by Law 4 / 2012 of 11 January (Bank Recapitalisation Law), in Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012 of the Portuguese Minister of State and Finance of 28 June 2012. The investment period of the instrument is five years as from the date of issue, and the Recapitalisation Plan of the Bank establishes partial repayments over the period of the instrument. On 10 August 2012 the Bank completed the capital increase of 200 000 th. euro, with shareholders' preemptive rights (note 4.27). The amount received was used in 13 August 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 th. euro.

On 4 December 2012 the Bank reimbursed to the Portuguese State 100 000 th. euro relating to contingent convertible subordinated bonds, reducing the nominal amount to 1 200 000 th. euro.

On 13 March 2013 the Bank reimbursed to the Portuguese State 200 000 th. euro relating to contingent convertible subordinated bonds, reducing the nominal amount to 1 000 000 th. euro.

On 16 July 2013 the Bank repaid the Portuguese State 80 000 th. euro relating to contingent convertible subordinated bonds, reducing their nominal amount to 920 000 th. 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 28 June 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 1 October 2012 the amount of instruments issued exceeds 1 300 000 th. euro), which will no longer occur because, as mentioned above, in August, 2012, 200 000 th. euro of these instruments were repurchased, reducing the amount on that date to 1 300 000 th. euro.

4.24. Other Subordinated debt and participating bonds

This caption is made up as follows:

	31 Dec. 13				31 Dec. 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	2.5%	420 000	(360 000)	60 000	1.7%
JPY	51 824	(51 824)		2.9%	66 015	(66 015)		2.9%
	471 824	**(411 824)**	**60 000**		**486 015**	**(426 015)**	**60 000**	
Other bonds								
EUR	400 000	(327 025)	72 975	1.8%	404 200	(312 237)	91 963	1.3%
JPY	120 923	(120 923)		2.8%	154 036	(154 036)		2.8%
	520 923	**(447 948)**	**72 975**		**558 236**	**(466 273)**	**91 963**	
	992 747	**(859 772)**	**132 975**		**1 044 251**	**(892 288)**	**151 963**	
PARTICIPATING BONDS								
EUR	28 081	(24 285)	3 796	0.8%	28 081	(23 962)	4 119	1.2%
	28 081	**(24 285)**	**3 796**		**28 081**	**(23 962)**	**4 119**	
Accrued interest			160				200	
Correction of the amount of hedged liabilities							51	
Premiums (net)							(2)	
			160				**249**	
			136 931				**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 changes in debt issued by the BPI Group in 2013 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at 31 December 2012	60 000	91 963	4 119	156 082
Bonds redeemed		(4 200)		(4 200)
Repurchases (net of resales)		(14 788)	(323)	(15 111)
Balance at 31 December 2013	60 000	72 975	3 796	136 771

The changes in debt issued by the BPI Group in 2012 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at 31 December 2011	60 000	149 467	4 595	214 062
Repurchases (net of resales)		(57 504)	(476)	(57 980)
Balance at 31 December 2012	60 000	91 963	4 119	156 082

Perpetual and other bonds issued by the BPI Group at 31 December 2013 are made up as follows, by residual term to maturity:

	Maturity				
	2014	**2015**	**2016-2019**	**> 2019**	**Total**
Perpetual bonds					
EUR[1]	60 000				60 000
Other bonds					
EUR			72 975		72 975
Total	**60 000**		**72 975**		**132 975**

1) In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

Perpetual and other bonds issued by the BPI Group at 31 December 2012 are made up as follows, by residual term to maturity:

	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:

	31 Dec. 13	31 Dec. 12
Creditors and other resources		
Creditors for futures operations	9 927	5 419
Consigned resources	18 672	28 783
Captive account resources	7 088	7 670
Subscription account resources	199	23
Guarantee account resources	10 665	12 670
State administrative sector		
Value Added Tax (VAT) payable	3 869	7 274
Tax withheld at source	21 170	30 980
Social Security contributions	4 696	7 230
Other	547	175
Contributions to other health systems	1 410	1 420
Creditors for factoring contracts	19 859	8 401
Creditors for the supply of assets	7 553	2 810
Contributions owed to the pension fund		
Pensioners and employees	2 853	500
Directors	2 805	2 475
Other creditors	138 051	167 064
Deferred costs	(89)	(95)
	249 275	**282 799**
Accrued costs		
Creditors and other resources	226	366
Personnel costs	103 928	90 162
General administrative costs	37 871	35 535
Others	2 296	2 598
	144 321	**128 661**
Deferred income		
On guarantees given and other contingent liabilities	4 637	4 874
Others	4 511	4 650
	9 148	**9 524**
Other accounts		
Foreign exchange transactions pending settlement	6 539	7 739
Securities operations pending settlement – non stock exchange operations	3 247	
Liabilities pending settlement	100 697	177 968
Other operations pending settlement	73 972	32 462
	184 455	**218 169**
	587 199	**639 153**

At 31 December 2013 and 2012 the caption OTHER CREDITORS included 103 296 th. euro and 135 239 th. euro, respectively, relating to unrealized subscribed for capital in Venture Capital Funds:

	31 Dec. 13	31 Dec. 12
Fundo de Recuperação, FCR	33 089	41 404
Fundo InterRisco II CI	25 828	
Fundo InterRisco II – Fundo de Capital de Risco	18 127	23 931
FCR – Fundo Revitalizar	16 000	
Fundo de Reestruturação Empresarial, FCR	2 785	59 400
Other funds	7 467	10 504
	103 296	**135 239**

At 31 December 2013 and 2012 the caption ACCRUED COSTS – PERSONNEL COSTS included 25 173 th. euro and 21 188 th. euro, respectively, relating to long service premiums.

The main actuarial and financial assumptions used to calculate the long service premiums liability are as follows:

	31 Dec. 13	31 Dec. 12
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years TV 88 / 90-W – 3 years	TV 73 / 77-M – 1 year TV 88 / 90-W – 1 year
Financial assumptions:		
Discount rate		
Beginning of the year	4.50%	5.50%
End of the year	4.00%	4.50%
Salary growth rate[2]	1.50%	1.50%
Mandatory promotions due to antiquity and seniority	0.50%	0.50%

1) In December 2013 the life expectancy considered was 2 years greater than the mortality table used for the male popopulation and 3 years for the female population. In December 2012 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 aniquity 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 2013 and 2012 were as follows:

	31 Dec. 13	31 Dec. 12
Long service premiums at the beginning of the year	21 188	24 031
Personnel costs:		
Current service cost	2 282	1 686
Interest cost	1 042	1 345
Actuarial gains and losses		
Changes in assumptions	1 323	2 634
Single Social Tax burden		5 435
Others	(79)	(222)
Long service premium payments	(583)	(13 721)
Long service premiums at the end of the year	**25 173**	**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 31 December 2012, in the amount of 11 035 th. euro (note 2.7).

The caption NON STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2013 refers to the acquisition of securities only settled in the following month.

The caption LIABILITIES PENDING SETTLEMENT, at 31 December 2013 and 2012 includes:

- 43 310 th. euro and 47 266 th. euro, respectively, relating to loan securitization fund transactions;
- 2 572 th. euro and 72 274 th. euro, respectively, relating to electronic interbank transfer transactions;
- 12 240 th. euro and 12 660 th. euro, respectively, relating to ATM / POS transactions to be settled with SIBS.

The caption OTHER OPERATIONS PENDING SETTLEMENT, at 31 December 2013 and 2012 includes:

- 84 796 th. euro and 34 203 th. euro, respectively, relating to transfers under SEPA (Single Euro Payment Area);

- 2 430 th. euro and 2 216 th. 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 3 January all the bank employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime, as from 1 January 2011, being covered by this regime as regards old age pensions and in the case of maternity, paternity and adoption leave, the cost of which the Bank will no longer cover. Given the complementary nature of the rules under the Collective Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho do Sector Bancário), the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of the past service liability remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única) of 23.6%.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank's responsibility.

Decree-Law 127 / 2011 of 31 December establishes the transfer to the Social Security of the liability for costs with the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pilar 1), as well as transfer to the Portuguese State of the corresponding pension fund assets covering 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 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State corresponds to the value of the liabilities undertaken by Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables under the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of 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 th. euro was recorded in 2011 in the statement of income caption OPERATING GAINS AND LOSSES, as established in paragraph 110 of IAS 19. As a result of the final determination of the liability transferred to the Portuguese State and the corresponding total and definitive transmission of the Pension Funds' assets, differences in relation to the provisional amounts at the end of 2011 were determined, of which 1 542 th. in the amount of the liability and 1 688 th. euro in the value of the fund. The positive difference between these amounts, totalling 145 th. euro, was recorded in 2012 in the caption OPERATING GAINS AND LOSSES (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.

1) Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões).

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), no. 2, of 15 January 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at 31 December 2011, relating to retirement pensions of current employees, hired up to 22 June 1995, which was covered by clause 51, item 4 of the Collective Labour Agreement (the consolidated text of which was published in Labour and Employment Bulletin, no. 32, of 29 August 2008), that was fully funded, was converted into individual accounts of the employees in 2012. This change does not apply to the pension liability under payment relating to employees that at 31 December 2011 were retired or pre-retired.

The commitments assumed in the regulations of the Banco BPI Pension Plans are funded by Pension Funds and so Banco BPI is exposed to risks resulting from the valuation of the liability and the value of the related pension funds.

As regards determination of the liability, Banco BPI is exposed to adverse changes in interest rates and credit spreads, since the discount rate used to determine the liability results from the income of corporate bonds with AA ratings and so includes exposure to the risk-free yields and credit spreads. In addition to the risks inherent in the discount of the future liabilities, there is exposure to the long-term inflation and mortality rates. Any change in these rates could affect positively or negatively the amount of liabilities payable by Banco BPI.

In the case of financial assets included in the Pension Fund assets, there is exposure of the equity component to market risk, the bond component to interest rate risk and credit risk, as well as currency risk. In the case of real estate assets, the main risks result from the nature of the composition of the portfolio, quality and diversification of the assets and from factors inherent in economic developments and government policies for the sector.

The investment policy was defined taking into account a long-term strategy, with an allocation of assets that includes shares, bonds, real estate and short-term investments. This strategy ensures suitability to the type of liability and also contributes to the appropriate diversification of investments through the long-term expectation of different returns and volatilities of the different asset classes.

The main actuarial assumptions used to calculate the pension liability are as follows:

	31 Dec. 13	31 Dec. 12
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	TV 73 / 77-M – 1 year
	TV 88 / 90-W – 3 years	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 year	4.50%[2]	5.50%[3]
End of the year	4.00%[4]	4.50%[2]
Discount rate of the other companies		
Beginning of the year	4.50%	5.50%
End of the year	4.00%	4.50%
Pensionable salary increase rate[5]	1.50%	1.50%
Mandatory promotions due to antiquity and and seniority payments effect	0.50%	0.50%
Pension increase rate	1.00%	1.00%

1) In December 2013, the life expectancy considered was 2 years greater than the mortality table used, for the male population and 3 years for the female population. In December 2012, 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) A discount rate of 4.33% for current employees and 3.50% for pensioners which would be obtained if a single discount rate of 4.0% were used for the entire population.
5) Up to the first half of 2012, inclusive, the estimated salary evolution, given the mandatory promotions due to aniquity 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 actual results obtained in relation to the main financial assumptions were:

	31 Dec. 13	31 Dec. 12
Pensionable salary increase rate	1.60%[1]	1.80%[1]
Pension increase rate	0.00%[2]	0.00%[2]
Pension fund income rate		
Banco BPI	16.44%	20.25%
Other companies	3.68%	8.66%

1) Calculated based on the changes in pensionable salaries of employees working for Group companies at the beginning and end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to antiquity and seniority payments and does not reflect new hires and exits).
2) Corresponds to the ACTV table update rate.

The following assumptions were used to calculate the amount of the social security pension which, under the provisions of the Collective Labour Agreement (ACT), must be deducted from the pension established in the ACT:

	31 Dec. 13	31 Dec. 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[2]		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.
2) On 31 December 2013 the sustainability factor does not apply in accordance with the Decree-Law nr. 167-E / 2013 of 31 December.

At 31 December 2013 and 2012 the number of pensioners and employees covered by the pension plans funded by the pension funds was as follows:

	31 Dec. 13	31 Dec. 12
Retired pensioners	6 885	6 889
Survivor pensioners	1 301	1 231
Current employees	6 033	6 142
Former employees (clauses 137 A and 140 of the ACTV)	3 144	3 116
	17 363	**17 378**

The past service liability for pensioners and employees of the BPI Group and respective coverage by the Pension Fund at 31 December 2013 and 2012 are as follows:

	31 Dec. 13	31 Dec. 12
Total past service liability		
Liability for pensions under payment	577 394	511 758
Of which: [increase in the liability resulting from early retirements during the period]	[8 679]	[27 871]
Past service liability of current and former employees	504 975	425 332
	1 082 369	**937 090**
Net assets of the pension funds	1 129 067	986 874
Contributions to be transferred to the pension fund	2 853	500
Excess / (insufficient) cover	49 551	50 284
Degree of coverage	105%	105%

The average duration of the pension liability of BPI Groups employees is 18.8 years, including both current employees and pensioners.

On 31 December 2013 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.25) the amount of 2 853 th. euro relating to the contribution for 2013 made in February 2014, 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%.

On 31 December 2012 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.25) the amount of 500 th. 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	1 082 369	937 090	835 767	2 306 127	2 274 641
Net assets of the pension fund	1 129 067	986 874	801 250	2 409 393	2 463 809
Contributions to be transferred to the pension fund	2 853	500	37 888	1 375	18
Excess / (insufficient) cover	49 551	50 284	3 371	104 641	189 186
Degree of coverage	**105%**	**105%**	**100%**	**105%**	**108%**

The changes in the present value of the past service liability in 2013 and 2012 were as follows:

	31 Dec. 13	31 Dec. 12
Liability at the beginning of the year	937 090	835 767
Current cost:		
Of the BPI Group	(388)	1 339
Of the employees	3 591	3 543
Interest cost	40 865	44 022
Actuarial (gain) and loss in the liability	118 341	80 147
Early retirements	8 679	27 871
Changes in the conditions of the pension plan - death subsidy	(3 317)	(38 718)
Pensions payable (estimate)	(22 492)	(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 year	**1 082 369**	**937 090**

The legal framework of the death subsidy payable by the Social Security was amended by Decree Law 133 / 2012 of 27 June, in force as from 1 July which established a maximum limit for the death subsidy. 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, publication of Decree Law 133 / 2012 determined a change in the conditions of the post-retirement benefit plan liability of Banco BPI. The impact of this change (38 718 th. euro) is fully recognised in the statement of income of the year in which the change occurred (note 4.42).

In 2013 the legal framework of the death subsidy payable by the Social Security was again amended by Decree Law 13 / 2013 of 25 January in force as from 1 February 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 post-retirement benefit plan liability of Banco BPI. The impact of this change (3 317 th. euro) is fully recognised in the statement of income for the year in which the change occurred (note 4.42).

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2013, would result in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	(4.5%)	(48 211)
Decrease by 0.25%	4.8%	51 495
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	1.8%	19 150
Change in the pension increase rate[3]		
Increase by 0.25%	6.2%	66 826
Mortality Table		
+1 year	3.3%	35 180

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only varying the assumptions under analysis.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension funds in 2013 and 2012 were as follows:

	31 Dec. 13	31 Dec. 12
Net assets of the pension fund at the beginning of the year	986 874	801 250
Current cost:		
Of the BPI Group	500	37 888
Of the employees	3 591	3 543
Pension fund income (net)		
Income on plan assets computed with the discount rate	45 170	47 158
Deviation of return on assets	114 986	113 350
Pensions paid by the pension funds	(22 054)	(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 year	**1 129 067**	**986 874**

The estimated contributions to the pension plan to be made by employees in 2014 amounted to 3 691 th. euro.

At 31 December 2013 and 2012 the assets of the Banco BPI Employees' Pension Funds were as follows:

	31 Dec. 13	31 Dec. 12
Liquidity	4.1%	2.8%
Fixed rate bonds		
Listed	15.4%	29.5%
Floating rate bonds		
Listed	16.3%	
Not listed		6.5%
Portuguese shares		
Listed	27.2%	20.4%
Not listed	3.3%	3.9%
Foreign shares		
Listed	1.2%	1.2%
Real Estate	31.1%	34.5%
Others		
Listed	1.4%	1.2%
	100.0%	**100.0%**

Contributions to the pension funds in 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 2013 were as follows:

	31 Dec. 12	Changes in fair value	Sales	31 Dec. 13
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Shares	7 499		7 499	
Bonds	60 077	2		60 079
	67 576	**2**	**7 499**	**60 079**
Premises used by the BPI Group	215 052	(6 295)		208 757
	282 628	**(6 293)**	**7 499**	**268 836**

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:

	31 Dec. 11	Aquisitions	Changes in fair value	31 Dec. 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 2009 to 2013 were as follows:

Amount at 31 December 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 31 December 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 31 December 2010 Proforma	**(254 767)**
Adjustment in the ACTV Table below the estimate	39 559
Change in the actuarial assumptions	181 228
Deviation in pension CGA[2]	16 370
Deviation in pension fund income	(300 665)
Deviation in pensions paid	(1 098)
Others	2 668
Amount at 31 December 2011	**(316 705)**
Of which:	
Deviation associated with the transferred liabilities	(193 538)
Deviation associated with the liabilities that remain with the Bank	(123 167)
Amount at 31 December 2011[3]	**(123 167)**
Adjustment in the ACTV Table below the estimate	26 181
Change 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 31 December 2012 (note 4.31)	**(89 393)**
Adjustment in the ACTV Table below the estimate	22 467
Change in the actuarial assumptions	
Discount rate and pension increase rate	(93 721)
Mortality table	(42 635)
Deviation in pension fund income	114 986
Deviation in pensions paid	441
Others	(4 452)
Amount at 31 December 2013 (note 4.31)	**(92 307)**

1) Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.
2) Change in the calculation and payment rules of CGA – Caixa Geral de Aposentações pensions, which had the effect of reducing the amount of pensions payable by the Bank relating to employees for which years of service in the Public Sector were recognised.
3) Excluding deviations relating to transferred liabilities.
4) Includes 7 426 th. euro relating to deviations caused by changes in the salary growth calculating methodology.
5) Includes (25) th. euro relating to BPI Vida e Pensões.

The consolidated financial statements as of 31 December 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) and PERSONNEL COSTS (note 4.42):

	31 Dec. 13	31 Dec. 12
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	40 865	44 022
Income on plan assets computed with the discount rate	(45 170)	(47 159)
	(4 305)	**(3 137)**
Personnel costs		
Current service cost	(388)	1 339
Increase in liability for early retirements[1]	21 207	27 826
Compensation due to early retirements[2]	2 114	2 390
Change in the pension plan conditions - death subsidy	(3 317)	(38 718)
	19 616	**(7 163)**
Operating (gains) / losses		**(145)**

1) In December 2013 includes 12.528 th. euro relating to the 87 early retirement program in 2014.
2) In December 2013 includes 1.209 th. euro relating to the 87 early retirement program in 2014.

The Members of the Executive Board of Banco BPI, S.A. and the remaining Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan. At 31 December 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	31 Dec. 13	31 Dec. 12
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	TV 73 / 77-M – 1 year
	TV 88 / 90-W – 3 years	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 year	4.50%	5.50%
End of the year	4.00%	4.50%
Pensionable salary increase rate	1.00%	1.00%
Pension increase rate[2]	1.00%	1.00%

1) In December 2013, the life expectancy considered was 2 years greater than the mortality table used, for the male population and 3 years for the female population. In December 2012 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 accordante with the rules of the pension plan.

The actual results obtained in relation to the main financial assumptions were as follows:

	31 Dec. 13	31 Dec. 12
Pensionable salary increase rate[1]	0.00%	0.00%
Pension increase rate[2]	2.70%	3.70%
Pension fund income rate	3.95%	9.05%

1) Calculated based on the changes in pensionable salaries of Directors serving in the Group companies in the beginning and end of the year.
2) Corresponds to the variation rate of the IPC in accordance with the pension plan rules.

At 31 December 2013 and 2012 the past service liability of this plan and respective coverage by the pension fund were as follows:

	31 Dec. 13	31 Dec. 12
Total past service liability		
Liability for pensions under payment	17 723	16 636
Past service liabilty relating to the current and former directors	21 414	18 477
	39 137	**35 113**
Net assets of the pension fund	35 262	32 638
Contributions to be transferred to the pension fund	2 805	2 475
Excess / (insufficient) cover	(1 070)	
Degree of coverage	97%	100%

The average duration of the pension liability of directors is 12.1 years, including both current directors and pensioners.

On 31 December 2013 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.25) the amount of 2 805 th. euro relating to the contribution for 2013 made in February 2014, after which the degree of coverage of the liability at that date is 97%, thus exceeding the minimum level of funding of 95% required by Bank of Portugal Regulation 4 / 2005.

On 31 December 2012 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.25) the amount of 2 475 th. 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	39 137	35 113	31 141	29 402	27 664
Net assets of the pension fund	35 262	32 638	28 335	29 477	26 564
Contributions to be transferred to the pension fund	2 805	2 475	2 806		1 308
Excess / (insufficient) cover	(1 070)			75	208
Degree of coverage[1]	**97%**	**100%**	**100%**	**100%**	**101%**

1) The minimum level of funding required in Regulation 4 / 2005 of Bank of Portugal is 95%.

The changes in the present value of the past service liability of the plan in 2013 and in 2012 were as follows:

	31 Dec. 13	31 Dec. 12
Liability at the beginning of the year	35 113	31 141
Current service cost	1 544	1 324
Interest cost	1 640	1 776
Actuarial (gain) / loss in the liability	2 218	2 174
Pensions payable (estimate)	(1 378)	(1 302)
Liability at the end of the year	**39 137**	**35 113**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2013 resulted in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	(2.9%)	(1 152)
Decrease by 0.25%	3.1%	1 209
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	0.9%	335
Change in the pension increase rate[3]		
Increase by 0.25%	2.7%	1 074
Mortality Table		
+1 year	3.0%	1 190

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only varying the assumptions under analysis.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension fund in 2013 and in 2012 were as follows:

	31 Dec. 13	31 Dec. 12
Net assets of the pension fund at the beginning of the year	32 638	28 335
Contributions made	2 475	2 806
Pension fund income (net)		
Income on plan assets computed with the discount rate	1 528	1 704
Deviation of return on assets	(238)	861
Pensions paid by the pension fund	(1 141)	(1 068)
Net assets of the pension fund at the end of the year	**35 262**	**32 638**

At 31 December 2013 and 2012 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	31 Dec. 13	31 Dec. 12
Liquidity		
Listed	9.2%	11.7%
Not listed	2.0%	
Fixed rate bonds		
Listed	42.2%	43.7%
Not listed	0.9%	
Floating rate bonds		
Listed	6.2%	7.6%
Shares		
Listed	36.1%	34.8%
Real estate		
Listed	1.4%	1.7%
Others		
Listed	2.0%	0.5%
	100.0%	**100.0%**

Contributions to the pension funds in 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 2009 to 2013 were as follows:

Amount at 31 December 2008	**(430)**
Deviation in pension fund income	588
Change in actuarial assumptions	1 020
Deviation in pensions paid	97
Others	(488)
Amount at 31 December 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 31 December 2010 Proforma	**515**
Deviation in pension fund income	(1 927)
Change in actuarial assumptions	994
Deviation in pensions paid	69
Amount at 31 December 2011	**(349)**
Deviation in pension fund income	859
Change in actuarial assumptions	(1 716)
Deviation in pensions paid	232
Others	(458)
Amount at 31 December 2012 (note 4.31)	**(1 432)**
Change in the actuarial assumptions	
Discount rate and pension increase rate	(2 262)
Mortality table	(1 192)
Deviation in pension fund income	(238)
Deviation in pensions paid	236
Others	1 236
Amount at 31 December 2013 (note 4.31)	**(3 652)**

The consolidated financial statements as of 31 December 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):

	31 Dec. 13	31 Dec. 12
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	1 640	1 776
Income on plan assets computed with the discount rate	(1 528)	(1 706)
	112	**70**
Personnel costs		
Current service cost	1 544	1 324
Change in the pension plan conditions	63	5
	1 607	**1 329**

4.27. Share capital

The Shareholders' General Meeting, held on 24 April 2013, granted the Board of Directors of Banco BPI authorization for the following, after obtaining all the necessary permissions that are necessary considering the terms and conditions (hereinafter referred to as Terms and Conditions) of the core tier I Capital Instruments (contingent convertible subordinated bonds) subscribed for by the Portuguese State in connection with Banco BPI's recapitalization operation:

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, under the terms of and pursuant to 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 eighteen months from the date thereof, this permission also being applicable, with the due adaptations, to the acquisition and sale of Banco BPI shares by Banco Português de Investimento, S.A.

Without prejudice to its freedom of decision and action under the above permissions, the Board of Directors, in carrying them out, should take into account, whenever it considers it necessary based on the relevant circumstances, the requirements of Commission Regulation (EC) 2273 / 2003 of 22 December 2003, as well as compliance at all times with the requirements of the Terms and Conditions, namely clause 11.

On 10 July 2012, under the authority introduced into Banco BPI's Statutes at the Shareholders' General Meeting of 27 June 2012, the Board of Directors decided to increase share capital from 990 000 th. euro to 1 190 000 th. 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 I 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 10 August 2012, all the shares offered for subscription being fully subscribed for and so Banco BPI's share capital is now 1 190 000 th. euro represented by 1 390 000 nominal dematerialized ordinary shares, with no par value.

On 27 June 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 27 June 2012:

a) Under the framework of approval of the issuance of financial instruments eligible for core tier I own funds (Contingent Convertible Subordinated bonds), with a total par value of 1 500 000 th. 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 28 June);

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 31 December 2011	**128 432**
Use of share premiums to cover negative retained earnings	(128 432)
Balance at 31 December 2012	

The Shareholder' General Meeting held on 31 May 2012 approved the use of share premiums of 128 432 th. euro to cover negative retained earnings (note 4.31).

At 31 December 2013 the balance of the caption SHARE PREMIUMS was nil. In 2013 there were no changes in this caption.

In accordance with Ministerial Order 408 / 99 of 4 June, published in Diário da República – 1st B Series, n.º 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:

	31 Dec. 13	31 Dec. 12
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2009		7
RVA 2010	124	95
RVA 2011	1	2
RVA 2012	15	14
RVA 2013	23	
Costs of options not exercised (premiums)		
RVA 2007		5 725
RVA 2008	828	828
RVA 2009	806	814
RVA 2010	590	496
RVA 2011	55	89
RVA 2012	587	488
RVA 2013	385	
	3 414	**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	26	40
Shares hedging RVA options		
RVA 2007		11 348
RVA 2008	3 045	3 045
RVA 2009	3 147	3 147
RVA 2010	95	118
RVA 2011	2 391	133
RVA 2012	8 382	428
	17 090	**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 31 December 2013 and 2012 reflect 6 154 117 and 6 555 267 treasury shares, respectively, including 36 865 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 2013 and in 2012 the Bank recorded directly in shareholders' equity, a loss of 4 810 th. euro and a gain of 1 179 th. 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:

	31 Dec. 13	31 Dec. 12
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (note 4.5):		
Debt Instruments		
Securities	(45 822)	(52 155)
Hedging derivatives	(405 990)	(637 218)
Equity Instruments	16 691	17 053
Other	(1 731)	2 431
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(57 824)	(36 672)
Equity instruments available for sale	(6)	(4)
Legal revaluation reserve	703	703
	(493 979)	**(705 862)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	136 795	244 037
Tax liabilities	(5 096)	(45 789)
	131 699	**198 248**
	(362 280)	**(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:

	31 Dec. 13	31 Dec. 12
Legal reserve	86 124	68 377
Merger reserve	(2 463)	(2 463)
Consolidation reserves and retained earnings	558 984	472 617
Other reserves	606 346	456 056
Actuarial deviations		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(95 959)	(90 825)
Taxes related to actuarial deviations	82 998	80 834
Loss on treasury shares	(2 102)	(6 912)
Taxes relating to gain on treasury shares	615	2 029
	1 041 005	**786 175**

In accordance with Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law 298 / 91 of 31 December and amended by Decree-Law 201 / 2002 of 25 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

The Shareholders' General Meeting held on 31 May 2012 approved the utilisation of share premiums of 128 432 th. euro and other reserves of 113 632 th. euro to cover negative retained earnings (note 4.28).

At 31 December 2013 and 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 172 308 th. euro and 163 931 th. euro, respectively which, weighted by Banco BPI's effective participation percentage in these companies, amounted to 80 248 th. euro and 75 833 th. euro, respectively. These reserves are included in the captions CONSOLIDATION RESERVES AND RETAINED EARNINGS and REVALUATION RESERVES.

The caption CONSOLIDATION RESERVES at 31 December 2013 and 2012 includes 11 473 th. euro and 5 783 th. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by the BPI Group's (effective) participation in them.

4.32. Minority interests

This caption is made up as follows:

	Balance sheet		Statement of income	
	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12
Minority shareholders in:				
Banco de Fomento Angola, S.A.	314 286	293 679	92 262	84 886
BPI Capital Finance Ltd.	51 233	51 144	1 135	1 232
BPI Alternative Fund		7 874		431
BPI Alternative Fund Luxemburgo	18 923		973	
BPI Dealer – Sociedade financeira de Corretagem (Moçambique), S.A.R.L.		(40)		(46)
BPI (Suisse), S.A.		5		2
	384 442	**352 662**	**94 370**	**86 505**

Minority interests in BPI Capital Finance at 31 December 2013 and 2012 include 51 021 th. euro relating to preference shares:

	31 Dec. 13			31 Dec. 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 12 August 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on 12 February, 12 May, 12 August and 12 November of each year. The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI's distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd., with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinate to all liabilities of Banco BPI and *pari passu* with any other preference shares that might be issued by the Group in the future.

4.33. Off balance sheet items

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Guarantees given and other contingent liabilities		
Guarantees and sureties	1 832 700	2 185 640
Stand-by letters of credit	71 565	13 635
Documentary credits	189 201	177 805
Sureties and indemnities	105	79
Other guarantees given and contingent liabilities	13 200	13 200
	2 106 771	**2 390 359**
Assets given as collateral	**9 841 209**	**15 166 739**
Commitments to third parties		
Irrevocable commitments		
Options on assets	10 359	55 047
Irrevocable credit lines	1 960	1 582
Securities subscription	326 625	206 070
Term commitment to make annual contributions to the deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	10 262	9 944
Other irrevocable commitments	293	707
Revocable commitments	2 632 129	2 234 781
	3 020 342	**2 546 845**
Responsibility for services provided		
Deposit and safeguard of assets	25 409 651	24 869 361
Amounts for collection	72 501	131 737
Assets managed by the institution	5 054 700	4 924 016
	30 536 852	**29 925 114**

The caption ASSETS GIVEN AS COLLATERAL at 31 December 2013 and 2012 includes:

- 139 926 th. euro and 4 432 349 th. euro, respectively, relating to credit and 8 810 143 th. euro and 9 784 331 th. euro relating to securities, captive for funding from the European Central Bank (ECB);
- 10.565 th. euro and 7 247 th. 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);
- 48 522 th. euro and 71 691 th. euro relating to securities given in guarantee to the Deposit Guarantee Fund.

Additionally, at 31 December 2013 and 2012 the caption ASSETS GIVEN AS COLLATERAL includes, respectively, 617 708 th. euro and 658 428 th. euro of securities and 197 330 th. euro and 195 290 th. euro of credit, given as collateral to the European Investment Bank.

The OPTIONS ON ASSETS caption at 31 December 2013 and 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 31 December 2013 and 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 31 December 2013 and 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 31 December 2013 and 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 31 December 2013 the BPI Group managed the following third party assets:

Investment Funds and PPRs	2 057 985
Pension Funds[1]	2 123 488

1) Includes the Group companies' pension funds.

4.34. Financial margin (narrow sense)

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Interest and similar income		
Interest on deposits with banks	1 668	2 558
Interest on placements with credit institutions	31 517	29 088
Interest on loans to Customers	533 624	664 755
Interest on credit in arrears	17 423	13 370
Interest on securities held for trading and available for sale	369 258	485 685
Interest on securitised assets not derecognised	178 002	227 844
Interest on derivatives	264 294	441 857
Interest on securities held to maturity	105	539
Interest on debtors and other aplications	3 293	4 458
Other interest and similar income	4 365	9 541
	1 403 549	**1 879 695**
Interest and similar expense		
Interest on resources		
Of central banks	23 151	35 931
Of other credit institutions	10 414	22 402
Deposits and other resources of Customers	420 646	563 342
Debt securities	84 204	141 387
Interest from short selling	499	2 684
Interest on derivatives	313 111	472 818
Interest on liabilities relating to assets not derecognised on securitised operations	18 778	32 300
Interest on contingent convertible subordinated bonds	84 940	55 860
Interest on subordinated debt	2 844	3 625
Other interest and similar expenses	271	428
	958 858	**1 330 777**

4.35. Gross margin on unit links

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Income from financial instruments		
Interest	2 719	4 834
Gains and losses on financial instruments	17 495	18 265
Gains and losses on capitalisation insurance – unit links	(20 214)	(23 099)
Management and redemption comission	3 010	2 671
	3 010	**2 671**

4.36. Income from equity instruments

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Conduril	276	184
SIBS	878	1 071
Viacer	1 568	1 561
Imofomento	673	334
Others	262	331
	3 657	**3 481**

4.37. Net commission relating to amortised cost

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Commission received relating to amortised cost		
Loans to Customers	29 757	33 890
Others	1 271	1 593
Commission paid relating to amortised cost		
Loans to Customers	(6 047)	(6 489)
Others	(1 209)	(1 469)
	23 772	**27 525**

4.38. Technical result of insurance contracts

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Premiums	686 524	230 906
Income from financial instruments	73 869	72 829
Impairment (note 4.20)	(943)	
Cost of claims, net of reinsurance	(355 829)	(686 944)
Changes in technical provisions, net of reinsurance	(331 747)	452 860
Participation in results	(47 118)	(46 639)
	24 756	**23 012**

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:

	31 Dec. 13	31 Dec. 12
Commissions received		
On guarantees provided	23 697	26 388
On commitments to third parties	4 344	1 953
On insurance brokerage services	39 533	38 976
On banking services rendered	224 958	247 092
On operations realised on behalf of third parties	13 689	12 251
Other	3 022	3 718
	309 243	**330 378**
Commissions paid		
On guarantees received	34	10
On financial instrument operations	301	453
On banking services rendered by third parties	38 615	40 400
On operations realised by third parties	2 575	3 103
Other	(43)	319
	41 482	**44 285**
Other income, net		
Refund of expenses	25 765	27 395
Income from banking services	25 317	28 047
Charges similar to fees	(8 502)	(9 231)
	42 580	**46 211**

At 31 December 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

	31 Dec. 13	31 Dec. 12
Life insurance		
Housing	20 212	19 863
Consumer	1 769	2 564
Others	5 571	5 645
	27 552	**28 072**
Non-life insurance		
Housing	4 590	4 300
Consumer	329	1 403
Others	7 062	5 201
	11 981	**10 904**
	39 533	**38 976**

At 31 December 2013 and 2012 remuneration for insurance brokerage services was received in full in cash and more than 88% and 89%, respectively, thereof relates to insurance brokerage services for Allianz.

At 31 December 2012 commission received for other banking services rendered includes 32 643 th. euro relating to the setting up and placement of bonds issued by Portuguese companies.

4.40. Net income on financial operations

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Gain and loss on operations at fair value		
Foreign exchange gain, net	97 484	83 658
Gain and loss on financial assets held for trading		
Debt instruments	4 460	7 938
Equity instruments	76 725	43 006
Other securities	8	118
Gain and loss on trading derivative instruments	(69 173)	(41 912)
Gain and loss on other financial assets valued at fair value through profit or loss	802	1 065
Gain and loss on investments held to maturity	7	1
Gain and loss on financial liabilities held for trading	1 780	(10 799)
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	(116 399)	252 058
Gain and loss on hedging derivative instruments	116 839	(221 162)
Other gain and loss on financial operations	12 522	115 321
	125 055	**229 292**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to Customers	1 824	(4 826)
Gain and loss on financial assets available for sale		
Debt instruments	125 204	173 418
Equity instruments	5 440	412
Others	(187)	10
	132 281	**169 014**
Interest and financial gain and loss with pensions (note 4.26)		
Interest cost	(42 505)	(45 798)
Expected fund income	46 698	48 865
	4 193	**3 067**

At 31 December 2013 and 2012, the caption GAIN AND LOSS ON TRADING DERIVATIVE INSTRUMENTS includes (50 517) th. euro and (33 827) th. 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 31 December 2012 includes 23 721 th. 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 31 December 2013 and 2012, includes 12 201 th. euro and 115 938 th. 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 31 December 2012, includes 2 613 th. euro of losses regarding the repurchase of bonds relating to the securitization of housing loans of Banco BPI's Pension Fund and 2 261 th. euro of losses relating to the sale of loans and advances to Customers.

The caption GAIN AND LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE – DEBT INSTRUMENTS at 31 December 2013 and 2012, includes 129 327 th. euro and 171 158 th. euro, respectively, 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:

	31 Dec. 13	31 Dec. 12
Operating income		
Gains on disposal of investiments in subsidiaries and associated companies		140
Gain on tangible assets held for sale	686	302
Gain on other tangible assets	7 637	6 447
Other operating income	4 922	9 685
	13 245	**16 574**
Operating expenses		
Subscriptions and donations	4 734	4 003
Contributions to the Deposit Guarantee Fund	3 268	4 336
Contributions to the Resolution Fund	4 455	
Contribution to the Investor Indemnity System	10	5
Loss on tangible assets held for sale	1 291	772
Loss on other tangible and intangible assets	11 709	8 673
Other operating expenses	3 762	2 384
	29 229	**20 173**
Other taxes		
Indirect taxes	6 322	4 567
Direct taxes	1 359	1 106
	7 681	**5 673**

Decree-Law 24 / 2013 of 19 February established the contributions system of Banks to the new Resolution Fund created with the purpose of preventing, mitigating and containing systemic risk. Bank of Portugal Notice 1 / 2013 and Instructions 6 / 2013 and 7 / 2013 established the payment of an initial contribution and periodic contribution to the Resolution Fund. Banco BPI recorded in its 2013 accounts the initial contribution and the periodic contribution for 2013.

The caption LOSS ON OTHER TANGIBLE AND INTANGIBLE ASSETS at 31 December 2013 includes 3 264 th. euro relating to the closure of branches in 2013.

4.42. Personnel costs

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Remuneration	284 823	287 839
Long service premium (note 2.7 and 4.25)	4 568	10 878
Pension costs (note 2.6 and 4.26)	4 070	6 358
Early retirements (note 4.26)	23 321	30 216
Death subsidy (note 4.26)	(3 317)	(38 718)
Other mandatory social charges	63 227	66 743
Other personnel costs	10 114	9 463
	386 806	**372 779**

The caption REMUNERATION at 31 December 2013 and 2012 includes the following costs relating to remuneration granted to the members of Banco BPI's Board of Directors:

- 2 893 th. euro and 3 590 th. euro, respectively, relating to remuneration paid in cash; and
- 126 th. euro and 127 th. euro, respectively, relating to prior years' accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption PENSION FUND at 31 December 2013 and 2012 includes 2 668 th. euro and 3 543 th. 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:

	31 Dec. 13	31 Dec. 12
Administrative costs		
Supplies		
Water, energy and fuel	13 600	13 425
Consumable material	5 422	6 609
Other	995	1 192
Services		
Rent and leasing	50 606	52 904
Communications and computer costs	37 450	39 980
Travel, lodging and representation	7 822	7 854
Publicity	15 682	17 208
Maintenance and repairs	18 712	17 673
Insurance	4 941	5 300
Fees	4 543	4 210
Legal expenses	5 929	2 364
Security and cleaning	12 034	11 327
Information services	4 934	4 973
Temporary labour	3 410	3 832
Studies, consultancy and auditing	8 335	9 031
SIBS	19 653	18 496
Other services	18 293	17 035
	232 361	**233 413**

At 31 December 2013 the remuneration paid to Deloitte and its network[1], in the amount of 2 767 th. euro is made up as follows, by nature and entity to which the services were provided:

Type of service	Banco BPI	BFA	BPI-BI	BPI GA[2]	Others[3]	Total	% of total
Statutory audit	616	133	121	131	190	1 191	43%
Other assurance services	751	133	74	43	93	1 094	40%
Tax consultancy	179	42			7	228	8%
Other services	5	240			9	254	9%
	1 551	**548**	**195**	**174**	**299**	**2 767**	**100%**

1) The "network" of BPI auditors includes Deloitte and Deloitte & Associados, SROC, S.A., and it agrees with the definition of "network" established by the European Commission in its Recommendation no. C (2002) 1873 of 16 May 2002.
2) Includes the amounts paid by securities and real estate funds managed by BPI Gestão de Activos.
3) In order of decreased importance of the amounts paid: BPI Vida e Pensões, BPI Suisse, Banco BPI – Offshore de Macau, BPI Luxemburgo, Banco BPI Cayman, BPI Capital Africa, BPI Private Equity, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Dealer Moçambique and BPI Madeira.

Deloitte and its network did not provide any service to the BPI Group in areas relating to financial information technologies, internal audit, valuations, litigation, recruitment, among others, that could generate conflicts of interest or a potential damage to the quality of the statutory audit work.

All the services rendered by Deloitte, including the remuneration conditions, independently of their nature, are subject to prior examination and approval by the Supervisory Board, which is an additional mechanism to ensure the independence of the External Auditor.

4.44. Income tax

At 31 December 2013 and 2012, the income tax recognised 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:

	31 Dec. 13	31 Dec. 12
Current income tax		
For the year	38 871	38 221
Correction of prior years	(5 203)	(170)
	33 668	**38 051**
Deferred tax		
Recognition and reversal of temporary differences	(8 224)	(1 621)
Change in tax rate	2 627	
On tax losses carried forward	(20 708)	37 974
	(26 305)	**36 353**
Contribution over the banking sector	13 059	13 890
Total tax charged to the statement of income	**20 421**	**88 294**
Net income before income tax[1]	154 531	400 118
Tax burden	13.2%	22.1%

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 2013 and 2012 Banco BPI recorded, directly in shareholders' equity, income tax of (750) th. euro and 9 989 th. euro, respectively, on actuarial deviations in pensions recognised in the period and on net gain / loss on treasury shares recognised in equity (note 4.31).

In 2012, as a result of the tax incentives established by Law 40 / 2005 of 3 November ("SIFIDE"), subject to approval by the Innovation Agency of 2011, Banco Português de Investimento and BPI Vida e Pensões benefit from an income tax reduction of 126 th. euro.

Reconciliation between the nominal rate of income tax and the tax burden in 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:

	31 Dec. 13		31 Dec. 12	
	Tax rate	**Amount**	**Tax rate**	**Amount**
Net income before income tax		154 531		400 118
Income tax computed based on the nominal tax rate	40.4%	62 373	32.5%	130 236
Effect of tax rates applicable to foreign branches	(0.2%)	(321)	0.0%	(154)
Capital gain and impairment of investments (net)	(1.7%)	(2 602)	(0.3%)	(1 298)
Capital gain of tangible assets (net)	(0.3%)	(409)	0.0%	85
Income on Angolan public debt	(32.7%)	(50 517)	(10.4%)	(41 757)
Non taxable dividends	(0.4%)	(583)	(0.2%)	(694)
Tax on dividends of subsidiary and associated companies	3.6%	5 548	1.6%	6 454
Conversion of shareholders' equity of associated companies	(0.3%)	(480)	(0.2%)	(602)
Tax benefits	(0.9%)	(1 447)	(0.4%)	(1 798)
Impairment and provision for loans	(0.5%)	(697)	0.3%	1 329
Non tax deductible pension costs	(3.3%)	(5 072)	(0.1%)	(306)
Interest recognised on minority interests	(0.2%)	(302)	(0.1%)	(363)
Correction of prior year taxes	(2.4%)	(3 755)	0.1%	342
Use of temporary tax settlements			(1.7%)	(6 830)
Extraordinary investment tax credit	(0.5%)	(700)		
Difference of tax rate on tax losses[1]	1.0%	1 558		
Difference between the current income tax rate and the deferred tax rate[2]	(0.4%)	(637)		
Use of tax losses			(2.7%)	(10 953)
Effect of change in the rate of deferred tax	1.7%	2 627		
Contribution over the financial sector	8.5%	13 059	3.5%	13 890
Autonomous taxation	1.4%	2 115	0.3%	1 278
Other non taxable income and expenses	0.4%	663	(0.1%)	(564)
	13.2%	**20 421**	**22.1%**	**88 294**

1) Calculation of deferred taxes on tax losses is based on the tax rate of 23% (25% in 31 December 2012) and not on the nominal tax rate (that includes State and Municipal surcharge).
2) The nominal tax rate at 31 December 2013 corresponds to 25% (excluding State and Municipal surcharge) while deferred taxes are calculated at the nominal tax rate of 23% (excluding State and Municipal surcharge), resulting from the entry into force of the Law 2 / 2014, of 16 January.

At 31 December 2012, the use of tax losses is essentially related 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:

	31 Dec. 13		31 Dec. 12	
	Net income before income tax	**Current tax rate**	**Net income before income tax**	**Current tax rate**
Companies with income tax rate of 25% and Surcharge between [1.5%; 6.5%]	(43 247)	13.4%	225 754	31.3%
Companies with income tax rate of 35% (Angola)	194 781	35.0%	170 113	35.0%
Investment funds[1]	2 997		4 250	
	154 531	**40.4%**	**400 118**	**32.5%**

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 recognised 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 31 December 2013 and 2012 are as follows:

	31 Dec. 13	**31 Dec. 12**
Deferred tax		
Assets (note 4.12)	517 455	608 483
Liabilities (note 4.22)	(37 977)	(89 815)
	479 478	**518 668**
Recorded by corresponding entry to:		
Retained earnings	246 155	273 567
Other reserves – Actuarial deviations	75 318	83 206
Fair value reserve (note 4.30)		
Financial instruments available for sale	131 699	198 248
Net income	26 306	(36 353)
	479 478	**518 668**

Deferred tax assets are recognised up to the amount expected to be realized through future taxable profits.

The changes in deferred taxes in 2013 are as follows:

	Balance at 31 Dec. 12	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 13
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	6 263	(4 618)	1			1 647
Early retirements	31 959	(1 504)				30 455
Advertising campaigns	70	(70)				
Banco BPI Cayman net income	225		4			229
Taxed provisions and impairment	136 166		11 540			147 706
Long service premium	6 117	(11)	1 296			7 401
Tax losses	71 934	(14 882)	29 835			86 887
Investment tax credit			700			700
Financial instruments available for sale	244 672		1 498	4 203	(113 234)	137 139
Actuarial deviations	83 205	(9 415)		1 527		75 318
Actuarial deviations after 2011			(119)	119		
Tax deferral of the impact of transition to NCA	27 172	(1 128)				26 044
Others	700	(71)	268	3 051	(18)	3 930
	608 483	**(31 698)**	**45 022**	**8 899**	**(113 251)**	**517 455**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(721)		25			(696)
Revaluation of assets and liabilities hedged by derivatives	(267)	97				(170)
Subsidiary's equity conversion	(691)	480				(211)
Dividends to be distributed by subsidiary and associated companies	(8 032)	(5 549)	5 484	362		(7 736)
RVA's			1 414		(1 414)	
Financial instruments available for sale	(49 971)	4 940		38 671	(12)	(6 372)
Repurchase of liabilities and preference shares	(30 132)		8 851	1 217	(3)	(20 066)
Reversal of gains in the consolidated accounts		(2 723)				(2 723)
Others	(1)	(4 468)	4 433	35	(1)	(2)
	(89 815)	**(7 224)**	**20 206**	**40 286**	**(1 430)**	**(37 977)**
	518 668	**(38 922)**	**65 229**	**49 185**	**(114 682)**	**479 478**

The changes in deferred taxes in 2012 are as follows:

	Balance at 31 Dec. 11	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 12
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	23 697	(17 434)				6 263
Early retirements	33 028	(1 069)				31 959
Advertising campaigns	263	(193)				70
"Taxa garantida" operations	94	(92)				2
Net income of Banco BPI Cayman	225					225
Taxed provisions and impairment	91 413		44 753			136 166
Long service premium	6 938	(835)	14			6 117
Tax losses	109 908	(37 974)				71 934
Financial instruments available for sale	507 094	(273)	1 485	94	(263 729)	244 672
Actuarial deviations	92 789	(9 245)			(340)	83 205
Actuarial deviations after 2011		6 605			(6 605)	
Tax deferral of the impact of transition to NCA	28 770	(1 598)				27 172
Others	535	(103)	216	51	(1)	697
	894 754	**(62 211)**	**46 468**	**145**	**(270 674)**	**608 483**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(773)		52			(721)
"Taxa garantida" operations	(93)		92			(1)
Revaluation of assets and liabilities hedged by derivatives	(445)	177				(267)
Subsidiary's equity conversion	(1 293)	602				(691)
Dividends to be distributed by subsidiary and associated companies	(8 269)	(6 412)	6 640	45	(39)	(8 034)
RVA's		(711)	1	711		1
Loan impairment	(3 783)		3 783			(0)
Financial instruments available for sale	(8 072)	(105)		487	(42 280)	(49 971)
Repurchase of liabilities and preference shares	(5 049)	(24 937)	147	10	(303)	(30 132)
Actuarial deviations						
Others	(63)		60	4		1
	(27 839)	**(31 386)**	**10 775**	**1 257**	**(42 622)**	**(89 815)**
	866 915	**(93 596)**	**57 243**	**1 402**	**(313 296)**	**518 668**

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 recognised;
- deferred tax liabilities relating to all the distributable net income (including the undistributed part) of Banco Comercial e de Investimentos are recognised.

4.45. Earnings of associated companies (equity method)

This caption is made up as follows:

	31 Dec. 13	31 Dec. 12
Banco Comercial e de Investimentos, S.A.R.L.	10 797	10 262
Companhia de Seguros Allianz Portugal, S.A.	10 497	8 305
Cosec – Companhia de Seguros de Crédito, S.A.	5 772	2 501
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	(1 791)	40
InterRisco – Sociedade de Capital de Risco, S.A.	384	344
Unicre – Instituição Financeira de Crédito, S.A.	1 440	2 364
	27 099	**23 816**

4.46. Consolidated net income of the BPI Group

The contribution of Banco BPI and subsidiary and associated companies to consolidated net income in 2013 and 2012 is as follows:

	31 Dec. 13	31 Dec. 12
Banks		
Banco BPI, S.A.[1]	(118 107)	100 502
Banco Português de Investimento, S.A.[1]	581	3 078
Banco de Fomento Angola, S.A.[1]	88 000	79 687
Banco Comercial e de Investimentos, S.A.R.L.[1]	9 879	9 389
Banco BPI Cayman, Ltd.	1 869	1 414
Asset management and brokerage		
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	7 006	8 455
BPI – Global Investment Fund Management Company, S.A.	791	372
BPI (Suisse), S.A.	4 109	2 083
BPI Alternative Fund: Iberian Equities Long / Short Fund[1]	3 604	4 079
BPI Alternative Fund: Iberian Equities Long / Short Fund Luxemburgo	2 362	
Fundo BPI Obrigações Mundiais (ex-Fundo BPI Taxa Variável)[1]		(202)
Venture capital / development		
BPI Private Equity – Sociedade de Capital de Risco, S.A.[1]	352	98
Inter-Risco – Sociedade de Capital de Risco, S.A.[1]	384	344
Insurance		
BPI Vida e Pensões – Companhia de Seguros, S.A.	52 773	29 146
Cosec – Companhia de Seguros de Crédito, S.A.[1]	5 772	2 501
Companhia de Seguros Allianz Portugal, S.A.	10 497	8 305
Others		
BPI, Inc.	(136)	(69)
BPI Locação de Equipamentos, Lda.	65	83
BPI Madeira, SGPS, Unipessoal, S.A.	91	31
BPI Moçambique – Sociedade de Investimento, S.A.	(962)	(584)
BPI Capital Finance		
BPI Capital Africa[1]	(1 740)	(1 981)
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.[1]	(1 791)	40
Unicre – Instituição Financeira de Crédito, S.A.[1]	1 440	2 364
	66 839	**249 135**

1) Adjusted net income.

4.47. Personnel

The average and period-end number of employees[1] in 2013 and 2012 were as follows:

	31 Dec. 13		31 Dec. 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	608	611	612
Other staff	5 368	5 437	5 474	5 317
Other employees	2 897	2 809	2 869	2 882
	8 888	**8 864**	**8 964**	**8 821**

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 of financial instruments is determined whenever possible based on the price in an active market. A market is considered to be active and liquid, when it is accessed by equally knowledgeable counterparties and is traded on a regular basis. In the case of financial instruments with no prices in active markets, due to their lack of liquidity and absence of regular transactions, valuation methods and techniques to estimate fair value are used.

The financial instruments recorded in the balance sheet at fair value were classified by levels in accordance with the hierarchy of IFRS 13.

Financial instruments recorded in the balance sheet at fair value

Debt instruments and equity instruments

- Level 1 – Price in an active market

  This category includes, in addition to financial instruments listed on Stock Exchanges, financial instruments valued based on prices in active markets published in electronic trading platforms, taking into account the liquidity (number of contributors) and depth of the asset (contributor type). Classification as an active market is carried out automatically by the asset valuation system, provided that the financial instruments are quoted by more than ten market contributors, with at least five firm offers and there is a multi-contributed quotation (price formed by several firm offers from contributors available in the market). The proposed automatic classification is assessed by an expert team.

- Level 2 – Valuation techniques based on market inputs

  This level considers securities that, having no active market, are valued by reference to valuation techniques based on market prices for instruments having the same or similar characteristics, including observable market prices for financial assets which have had significant decreases in trading volumes. The asset valuation system classifies automatically as level 2, financial instruments quoted by more than 4 and up to 9 contributors, with at least two firm bids and there is a multi – contributed quotation. This level also includes financial instruments valued based on internal models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates) and financial instruments valued based on third party purchase prices (indicative bids), based on observable market data. The proposed automatic classification is assessed by an expert team.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

  Financial assets 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 securities 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, namely:

  - assets valued based on Net Asset Value updated and disclosed by their managing companies;

  - 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).

- securities valued at indicative purchase prices based on theoretical models, disclosed by third parties and considered reliable.

  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 recognised at historical cost and are subject to impairment tests.

Financial derivative instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (especially stock exchanges). For the over-the-counter derivatives (swaps, fras, caps, floors and standard options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- Level 1 – Price in an active market

  This category includes futures and options traded on stock exchanges.

- Level 2 – Valuation techniques based on market inputs

  Level 2 includes derivatives, traded on over-the-counter markets, without an optional component (swaps and similar) and that have been contracted with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments for credit risk, to the extent that it is mitigated.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation (mark to market). The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

  Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements or derivatives that have been contracted with counterparties with which the Bank does not have collateralization agreements.

Derivative financial instruments traded in the over-the-counter market, that have been contracted with counterparties with which the Bank does not have collateralization agreements were classified as Level 3 since their credit risk adjustments are estimated mainly by using inputs not based on observable market data.

The valuation of derivatives with optional elements is performed using statistical models based on principles generally accepted in the market, that take into account the market value of the underlying assets and their volatility. Such derivatives are valued daily under the responsibility of "Direcção de Análise e Controlo de Riscos" (DACR).

The theoretical models used to value derivatives classified in Level 3 are of two types:

(i) For simpler operations (plain vanilla) option and optional elements are valued based on the Black-Scholes models or their derivatives, commonly used in this type of operation. The inputs for these models, price and volatility, are collected from Bloomberg and the values are checked against standard models of that entity. At 31 December 2013 the values of the unobservable market inputs (implied volatility of the underlying assets) are included in the following ranges by type of underlying asset:

Implicit volatilities

Underlying	Min.	Max.
Euribor 1 month	53.78%	152.21%
Euribor 3 months	29.62%	114.62%
Euribor 6 months	31.06%	72.69%
Euribor 12 months	38.31%	60.90%
Exchange EUR / USD	7.12%	20.15%

Valuation of the non-optional components is made based on discounted cash flows, using methodology similar to that used for derivatives without an optional component.

(ii) For the more exotic options or complex derivatives incorporating optional elements (for which there are no Black Scholes models available) the Bank contracted a specialized entity that performs the valuation based on specific models, constructed using criteria and methodologies generally accepted for this type of operations. At 31 December 2013 the values of the inputs not observable in the market (implicit volatility of the underlying assets) are included in the following categories, by type of underlying asset:

Implicit volatilities

Underlying type	Min.	Max.
Shares / indices	2.82%	38.32%
Commodities	15.90%	34.77%
Interest rate (EUR)	32.91%	120.05%
Interest rate (USD)	22.58%	76.78%

In accordance with the policy defined by the BPI Group as regards the management of exposure of options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the income statement of the BPI Group, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences the models or assumptions are reviewed.

The Bank has been incorporating counterparty credit risk in determining the fair value of derivative financial instruments contracted on the over-the-counter market. Therefore, the present value of the derivatives contract is adjusted to avoid the immediate recognition in results of the full amount of the initial margin of the operations on the recording date, thus ensuring that the Bank's financial margin gain is recognised on a straight-line basis over the period of the operations. Additionally, the counterparty credit risk of the derivative instruments is analyzed based on the Bank's impairment model, the balance sheet amount being adjusted by corresponding entry to results of financial operations.

Following the entry into force in 2013 of IFRS 13 – Fair Value Measurement, the Bank developed new methodology for incorporating counterparty credit risk and own credit risk into the calculation of the balance sheet amount of derivative financial instruments contracted in the over-the-counter market. This methodology includes the following main aspects:

- derivative financial instruments contracted with counterparties with which the Bank has collateralization agreements are not subject to adjustment for credit risk, to the extent that it is mitigated;

- counterparty credit risk and own credit risk adjustments relating to derivative financial instruments not collateralized are estimated using mainly historical information regarding non-performance.

Credit risk adjustments resulting from the application of the new methodology developed by the Bank to meet the requirements of IFRS 13 at 31 December 2013, do not differ significantly from the adjustments determined by the methodology that the Bank had already implemented.

Considering the complexity and subjectivity relating to determination of the assumptions used in the calculation of the adjustments to the credit risk of derivative financial instruments, it will continue to be monitored by the Bank in order to introduce the improvements that are identified based on practical experience in applying these methodologies.

Financial instruments recorded in the balance sheet at amortised cost

The fair value of financial instruments recorded at amortised 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 Customers 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 31 December 2011, given the lack of market references for Portuguese issuances, the Portuguese public debt curve was gradually introduced as a working basis, a spread taking into consideration the Bank's differential risk 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 31 December 2013 and 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 31 December 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 31 December 2013 and 2012, the implicit rates of the bonds were used, thus having fair value equal to book value. At 31 December 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 31 December 2011.

The reference rates used to calculate the discount factors at 31 December 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	0.22%	0.29%	0.39%	0.56%	0.54%	0.77%	1.26%	1.68%	2.15%	2.73%
GBP	0.49%	0.53%	0.62%	0.91%	1.02%	1.43%	2.13%	2.58%	2.99%	3.43%
USD	0.17%	0.25%	0.35%	0.58%	0.48%	0.87%	1.76%	2.44%	3.04%	3.87%
JPY	0.11%	0.15%	0.21%	0.37%	0.25%	0.32%	0.51%	0.73%	1.91%	2.88%

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 31 December 2013 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	1 372 211		1 372 211	1 372 211			1 372 211
Deposits at other credit institutions	466 859		466 859	466 859			466 859
Financial assets held for trading and at fair value through profit or loss	1 072 283	1 072 283		1 072 283			1 072 283
Financial assets available for sale	9 686 516	9 686 516		9 686 516		7 713	9 694 229
Loans and advances to credit institutions	1 886 070		1 884 609[3]	1 884 609	(1 461)		1 886 070
Loans and advances to Customers	25 965 133		23 238 075[4]	23 238 075	(2 727 058)		25 965 133
Held to maturity investments	136 877		132 216[3]	132 216	(4 661)		136 877
Trading derivatives[2]	223 497	223 497		223 497			223 497
Hedging derivatives	194 043	194 043		194 043			194 043
	41 003 489	**11 176 339**	**27 093 970**	**38 270 309**	**(2 733 180)**	**7 713**	**41 011 202**
Liabilities							
Resources of central banks	4 140 068		4 140 045[3]	4 140 045	23		4 140 068
Resources of other credit institutions	1 453 249		1 455 411[3]	1 455 411	(2 162)		1 453 249
Resources of Customers and other debts	25 494 961		25 708 833[5]	25 708 833	(213 872)		25 494 961
Debt securities	2 598 455		2 520 133[3]	2 520 133	78 322		2 598 455
Financial liabilities relating to transferred assets	1 387 296		1 129 785[4]	1 129 785	257 511		1 387 296
Trading derivatives	255 245	255 245		255 245			255 245
Hedging derivatives	548 458	548 458		548 458			548 458
Technical provisions	2 689 768		2 689 768[3]	2 689 768			2 689 768
Contingent convertible subordinated bonds	920 433		920 433[3]	920 433			920 433
Other subordinated debt and participating bonds	136 931		116 261[3]	116 261	20 670		136 931
	39 624 864	**803 703**	**38 680 668**	**39 484 372**	**140 492**		**39 624 864**
	1 378 625			**(1 214 063)**	**(2 592 688)**	**7 713**	**1 386 338**
Valuation differences in financial assets recognised in revaluation reserves					(436 858)		
Total					**(3 029 546)**		

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 recognised in the balance sheet at amortised cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognised in the balance sheet at amortised 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 31 December 2012 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	1 269 365		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 recognised in the balance sheet at amortised cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognised in the balance sheet at amortised 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 31 December 2013, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques		Total fair value
		Market data (Level 2)	Models (Level 3)	
Assets				
Financial assets held for trading and at fair value through profit or loss	898 323	21 834	152 126	1 072 283
Financial assets available for sale	7 036 253	49 495	2 600 768	9 686 516
Trading derivatives	172	29 118	194 207	223 497
Hedging derivatives	51	140 579	53 413	194 043
	7 934 799	**241 026**	**3 000 514**	**11 176 339**
Liabilities				
Trading derivatives	232	198 971	56 042	255 245
Hedging derivatives	29	516 868	31 561	548 458
	261	**715 839**	**87 603**	**803 703**

The book value of the financial instruments recorded in the balance sheet at fair value at 31 December 2012, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques		Total fair value
		Market data (Level 2)	Models (Level 3)	
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**

In 2013 the following securities were transferred from level 2 to level 1 due to the increase in their liquidity in the market, as a result of the increase in contributors quoting the securities with firm offers and, in the case of securities of Portuguese issuers, resulting from improvement in the conditions of the Portuguese Debt:

	Book value
BRISA CONCESSAO ROD. – 6.25%-05.12.2014	38
SEMAPA – 6.85%-30.03.2015	114
LAFARGE – 6.5%-15.07.2016	7 392
CP – COMBOIOS DE PORTUGAL – 4.17%-16.10.2019	45
SEMAPA – 6.85%-30.03.2015	834
ZON MULTIMEDIA 2012-2015	43
INTL BK RECON.&DEVEL. – 3.375%-30.04.2015	346
RABOBANK NEDERLAND – 3.25%-30.06.2014	59
REN – REDES ENERG.NAC. – 6.25%-21.09.2016	547
ESPIRITO SANTO FIN GRP – 6.875%-21.10.2019	102
SCH FINANCE S.A. – TX.VR. – OB.PERP.	168
	9 690

At 31 December 2013 and 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 31 December 2013 and 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 31 December 2013 and 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;
- derivatives contracted in the over-the-counter market with counterparties with which the Bank does not have collaterization agreements.

For financial instruments recorded at fair value in the balance sheet, the changes between 31 December 2012 and 31 December 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 31 December 2012	168 963	2 237 628	171	36 981	2 443 743
Accrued interest (amount at 31 December 2012)	(64)	(1 053)	569	6 285	5 737
Gain / (loss) recognised in net income					
In net income on financial operations	633	(53)	(31 684)	(10 662)	(41 766)
Potential gain / (loss)	234		(2 528)	(15 713)	(18 007)
Effective gain / (loss)	399	(53)	(29 156)	5 051	(23 759)
In impairment loss		(3 186)			(3 186)
Gain / (loss) recognised in revaluation reserves		(5 477)			(5 477)
Purchases	324	511 871			512 195
Sales / redemptions	(17 776)	(139 442)	29 156	(5 051)	(133 113)
Transfers in			127 906	86	127 992
Accrued interest (amount at 31 December 2013)	46	480	12 047	(5 787)	6 786
Net book value at 31 December 2013	**152 126**	**2 600 768**	**138 165**	**21 852**	**2 912 911**

Note: The effective gain / (loss) on derivatives correspond to amounts paid / received in the course of early settlement of the operations.

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.

Purchases of assets available for sale correspond mainly to public debt securities of Angola and of Banco Nacional de Angola through Banco de Fomento Angola.

Sales / redemptions of assets available for sale include 52 106 th. euro relating to the sale of participating units in Fundo de Reestruturação Empresarial and 50 688 th. euro relating to the redemption of bonds of ANA – Aeroportos de Portugal.

Transfers from other levels correspond to the entry into force in 2013 of IFRS 13 and refer to derivative financial instruments contracted with counterparties with which the Bank does not have collateralization agreements. As explained earlier in this note, these instruments are considered in the new methodology developed by the Bank in 2013 to incorporate counterparty credit risk and own credit risk, which is estimated using mainly historical information regarding non-performance.

For financial instruments recorded at fair value on the balance sheet, the changes between 31 December 2011 and 31 December 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 31 December 2011	39 655	2 565 505	2 258	38 875	2 646 293
Accrued interest (amount at 31 December 2011)	(130)	(1 930)	(270)	11 843	9 513
Gain / (loss) recognised 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) recognised 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 31 December 2012)	64	1 053	(569)	(6 285)	(5 737)
Net book value at 31 December 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 th. euro relating to the acquisition of participating units of Fundo de Reestruturação Empresarial FCR and 20 000 th. 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

In 2013 and 2012 no financial instruments for which it was not possible to reliably determine their fair value were derecognised and so there was no impact on net income for the period arising from this.

Reclassification of financial assets

The BPI Group reclassified bonds from Financial assets held for trading to 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:

	31 Dec. 13			31 Dec. 12			Effective interest rate on reclassification date
	Book value on reclassification date	Book value at 31 Dec. 13	Fair value at 31 Dec. 13	Book value on reclassification date	Book value at 31 Dec. 12	Fair value at 31 Dec. 12	
Reclassification of bonds in 2008							
Financial assets held for trading	(57 928)			(76 888)			
Financial assets available for sale				601	654	654	5.81%
Loans represented by securities	36 002	36 592	22 621	36 002	36 592	18 904	6.37%
Held to maturity investments	21 926	23 744	19 603	40 285	43 537	37 975	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading		(3 267)			(4 070)		
Loans represented by securities	231	282	371	262	307	404	5.34%
Held to maturity investments	3 036	4 585	3 898	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	7 665	7 293	7 699	7 662	6 606	2.78%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)						
Loans represented by securities	4 093	3 891	3 002				1.94%
		76 759	**56 788**		**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 (31 October 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 2013 a security recorded in the financial assets available for sale portfolio was reclassified to the loans to Customers portfolio as, due to the lack of liquidity, their 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 recognised in the statement of income in 2013 and 2012 and other gain / (loss) recognised in reserves and in the statement of income for these years for the securities reclassified from financial assets held for trading, were as follows:

	31 Dec. 13			31 Dec. 12		
	Gain / (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in		Gain / (loss) associated with fair value changes not recognised in the statement of income	Other gain / (loss) recognised in	
		Reserves	Statements of income		Reserves	Statements of income
Financial assets available for sale	2	2	19	9	9	68
Loans represented by securities	4 404		1 614	(5 301)		1 152
Held-to-maturity investments	1 717		430	2 964		3 140
	6 123	**2**	**2 063**	**(2 328)**	**9**	**4 359**

The amounts of gain / (loss) relating to fair value changes not recognised in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the "Financial assets held for trading" portfolio. Part of these amounts would be offset by opposite results under the caption TECHNICAL PROVISIONS, namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in OTHER GAIN / (LOSS) RECOGNISED IN THE STATEMENT OF INCOME include interest, premiums / discounts and other expenses. The amounts presented in OTHER GAIN / (LOSS) RECOGNISED IN RESERVES correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors' Report, presented together with the notes to Banco BPI's financial statements, also includes a section relating to "Risk management", which contains additional information about the nature and extent of the BPI Group's financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at 31 December 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 recognised
Held for trading and at fair value through profit or loss	**3 919**	**3 870**	**(11)**		
Portugal	3 919	3 870	(11)		
Available for sale	**5 204 312**	**5 163 311**	**(121 975)**	**(210 130)**	
Portugal	5 204 312	5 163 311	(121 975)	(210 130)	
Total exposure	**5 208 231**	**5 167 181**	**(121 986)**	**(210 130)**	

The fair value was determined based on prices in international markets, the unrealized gains / (losses) and hedge accounting effect being reflected in specific reserve captions or in the statement of income, depending on whether the securities are classified in the available for sale securities portfolio or in the held for trading securities portfolio, respectively. In the case of the exposure to Portugal, the BPI Group considers that at 31 December 2013 there was no objective evidence of impairment.

In 2013 Banco BPI sold its whole position in government bonds issued by Ireland. At 31 December 2012 Banco BPI held government bonds issued by Ireland in the amount of 371 901 th. euro.

At 31 December 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 26 524 th. euro and KION MORTGAGE Class A bonds (securitization of mortgage loans originated by the Greek Millennium bank) in the amount of 78 th. euro (note 4.5).

The following matters occurred regarding the Group's exposure to Greek sovereign debt, which that was entirely sold in the second half of 2012. The exposure to Greek debt securities at 30 June 2012 is a result of the exchange of the securities held by the BPI Group at 31 December 2011 under the agreement regarding the private sector involvement in the restructuring of Greek public debt, as explained below.

On 21 February 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 24 February 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 31 December 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 (12 March 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 31 December 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 recognised impairment losses of 468 898 th. euro. Determination of these losses was made as follows:

- On 31 October 2011 Banco BPI recognised impairment losses on Greek debt securities included in the financial assets available for sale portfolio (nominal value of 480 000 th. euro). The impairment losses recorded in the statement of income in the amount of 400 549 th. euro, were based on the market price at that date (36.25%) and included 54 346 th. 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 31 October 2011, by their fair value as of the reclassification date (182 184 th. 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 amortised 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 recognised 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 th. euro in the consolidated financial statements for 2011, including 6 952 th. 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 30 June 2012 Banco BPI recognised impairment losses of 16 102 th. 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 th. euro was used and the amount of 13 659 th. 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 31 December 2013 is as follows, by residual period to maturity:

Maturity	2014	2015 to 2020	> 2021	Total
Portugal	3 475 287	1 691 486	408	5 167 181
	3 475 287	**1 691 486**	**408**	**5 167 181**

The ratings of Portugal, Greece and Ireland are the following:

	31 Dec. 13			31 Dec. 12		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB	Ba3	BB+	BB	Ba3	BB+
Greece	B-	Caa3	B-	B-	C	CCC
Ireland	BBB+	Ba1	BBB+	BBB+	Ba1	BBB+

In addition, at 31 December 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	**144 645**	**99 611**	**99 524**	
Portugal	99 285	99 080	98 993	
Greece	45 360	531	531	
Loans and other receivables	**100 000**	**101 022**	**100 624**	
Portugal	100 000	101 022	100 624	
Total exposure	**244 645**	**200 633**	**200 148**	

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 recognised impairment losses of 117 733 th. 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 31 October 2011 impairment losses of 78 135 th. euro were recognised 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 th. 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 th. 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 12 March 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 31 December 2011. Therefore, BPI Vida e Pensões recorded additional impairment losses for debt securities issued by the Greek Government of 39 598 th. 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 th. 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 531 th. euro and 336 th. euro at 31 December 2013 and 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 31 December 2013 is made up as follows, by residual period of maturity:

Maturity	2014	2015 to 2020	> 2021	Total
Portugal	94 875	105 227		200 102
Greece			531	531
	94 875	**105 227**	**531**	**200 633**

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 th. euro. The overall impact of the impairment losses on profit before tax of the BPI Group in 2011 amounted to 559 747 th. 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 th. 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 31 December 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	466 859		466 859
Financial assets held for trading and at fair value through profit or loss	1 072 283		1 072 283
Financial assets available for sale	9 780 900	(86 671)	9 694 229
Loans and advances to credit institutions	1 886 072	(2)	1 886 070
Loans and advances to Customers	26 897 068	(931 935)	25 965 133
Held to maturity investments	136 877		136 877
Derivatives			
Hedging derivatives	194 043		194 043
Trading derivatives[1]	223 497		223 497
	40 657 599	**(1 018 608)**	**39 638 991**
Off balance sheet items			
Guarantees given	1 832 700	(46 124)	1 786 576
Irrevocable credit lines	1 960	(642)	1 318
	1 834 660	**(46 766)**	**1 787 894**
	42 492 259	**(1 065 374)**	**41 426 885**

1) This caption is presented in the balance sheet as FINANCIAL ASSETS HELD FOR TRADING AND AT FAIR VALUE THROUGH PROFIT OR LOSS.

Maximum exposure to credit risk at 31 December 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 31 December 2013, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	1 299	12 534	127 107	316 309	81 866	539 115
Impairment	(109)	(6 302)	(76 921)	(158 432)	(62 351)	(304 115)
	1 190	**6 232**	**50 186**	**157 877**	**19 515**	**235 000**
Subject to collective assessment						
Overdue loans and interest	95	6 137	53 860	320 887	77 135	458 114
Impairment	(53)	(1 708)	(21 956)	(150 889)	(40 831)	(215 437)
	42	**4 429**	**31 904**	**169 998**	**36 304**	**242 677**

In addition, at 31 December 2013, collective impairment of 412 383 th. euro was recognised on performing loans.

Overdue loans and interest at 31 December 2012, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	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 31 December 2012, collective impairment of 347 240 th. euro was recognised on performing loans.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- housing mortgages;
- mortgage of buildings and land;
- deposit of assets;
- pledge of securities;
- guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI's units using methods considered appropriate.

The coverage of overdue loans by collateral received at 31 December 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%	104 109	179 552	283 661	280 723	2 938	91 040
>=75% and <100%	72 730	151 158	223 888	195 376	6 142	71 940
>=50% and <75%	2 510	49 391	51 901	33 668	473	21 432
>=25% and <50%	529	13 953	14 482	5 114	155	9 214
>=0 and <25%	40 563	9 732	50 295	869	2 766	16 616
Without collateral	174 435	593 443	767 878			447 449
Total	**394 876**	**997 229**	**1 392 105**	**515 750**	**12 474**	**657 691**

1) The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at 31 December 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 138 856 th. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2013 is as follows:

Coverage	Loans with impairment Performing loans	Collateral[1] Mortgages	Other collateral[2]	Impairment[3]
Loans not represented by securities				
>=100%	155 044	145 499	9 545	20 258
>=75% and <100%	16 062	9 160	4 627	5 807
>=50% and <75%	19 171	11 077	210	2 420
>=25% and <50%	44 216	3 538	13 939	2 382
>=0 and <25%	35 628	362	1 411	4 014
Without collateral	465 669			91 634
	735 790	**169 636**	**29 732**	**126 515**
Loans represented by securities				
Without collateral	7 729			4 205
Guarantees provided				
>=100%	14 678	10 492	4 186	1 232
>=75% and <100%	49		49	2
>=50% and <75%	245	58	100	50
>=25% and <50%	2 216	696	27	442
>=0 and <25%	29 545	11	392	9 786
Without collateral	130 755			21 659
	177 488	**11 257**	**4 754**	**33 171**
	921 007	**180 893**	**34 486**	**163 891**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 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 31 December 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 31 December 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 th. euro relating to performing loans associated with defaulting loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 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 31 December 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 company and entrepreneurs and business exposures), or by scorings (private Customer exposure). External and internal ratings, where they exist, are an indicator of increasing importance to the BPI Group's internal management of loans, being used by the teams responsible for monitoring Customers in order to inform the decisions regarding new loans or the situation of existing exposure. This internal classification does not include all the Group's exposure, namely it excludes sovereign exposures or exposure to other banks, in which case external ratings are used and the loans granted locally by Banco de Fomento de Angola which uses its own methodologies.

As from 2013 the distribution of exposures of the entrepreneur 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 31 December 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-	1 110 256		1 110 256
		A+ to A-	38		38
		BBB+ to BBB-	283 832	1	283 831
		BB+ to BB-	883 677		883 677
		B+ to B-	2 716	1	2 715
	N/A	N/A	509		509
			2 281 028	**2**	**2 281 026**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2013 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	External rating	AAA to AA-	7 256		7 256
		A+ to A-	29 611		29 611
		BBB+ to BBB-	381 812	662	381 150
		BB+ to BB-	1 889 877	379	1 889 498
		B+ to B-	87 473		87 473
		< B-	264 020		264 020
	Project finance rating	Strong	152 420		152 420
		Good	895 771	187	895 584
		Satisfactory	285 508	174	285 334
		Weak	338 541	19 793	318 748
	Internal Rating	E01 to E03	815 101	2 939	812 162
		E04 to E06	2 177 238	8 251	2 168 987
		E07 to E10	1 543 409	68 452	1 474 957
		ED1 to ED3	722 365	319 955	402 410
	Entrepreneurs and Business Rating	N01 to N03	40 339	332	40 007
		N04 to N06	390 049	3 106	386 943
		N07 to N10	606 529	10 033	596 496
		ND1 to ND3	251 583	115 199	136 384
	Scoring	01 to 03	8 015 555	14 262	8 001 293
		04 to 06	2 718 601	10 733	2 707 868
		07 to 10	1 179 173	22 633	1 156 540
		D01 to D03	655 580	205 568	450 012
	N/A	N/A	3 364 944	129 277	3 235 667
			26 812 755	**931 935**	**25 880 820**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at 31 December 2013 is as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	99 122		99 122
		A+ to A-	183 234		183 234
		BBB+ to BBB-	1 740 215		1 740 215
		BB+ to BB-	7 854 602	232	7 854 370
		B+ to B-	115 870	29	115 841
		< B-	1 686		1 686
	N/A	N/A	994 756	86 410	908 346
			10 989 485	**86 671**	**10 902 814**

Deposits and loans and advances to credit institutions, by ratings, at 31 December 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 Customers, by ratings, at 31 December 2012 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	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 31 December 2012 is as follows:

Tipo de instrumento financeiro	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

At 31 December 2013 the restructured loan operations were identified in accordance with Bank of Portugal Instruction 32 / 2013 (replaces Instruction 18 / 2012) which defines restructured loans due to financial difficulties of the Customer.

In accordance with the Instruction, institutions must identify and mark in their information systems, loan contracts with Customers in situations of financial difficulty, whenever there are changes to the terms and conditions of the contracts (namely, extension of the repayment term, introduction of grace periods, capitalization of interest, reduction of interest rates, waiver of interest or capital), or the institution agrees to grant new credit facilities for total or partial payment of the existing debt service, and for this purpose include the words "restructured loans due to financial difficulty of the Customer".

A Customer is considered to be in a position of financial difficulty when it has failed to fulfill any of its financial obligations to the institution or if it is foreseeable that this will occur, given the information available.

A loan operation which is restructured due to financial difficulty of the client can only be demarked after a minimum period of two years from the date it is restructured, provided that certain conditions are met cumulatively.

The following restructured loan operations have been identified for domestic operations of BPI Group at 31 December 2013 and 2012:

	31 Dec. 13				31 Dec. 12			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Companies	1 036 054	224 667	1 260 722	266 667	549 764	173 664	723 429	176 926
Loans to individuals								
Housing	142 726	43 359	186 085	48 719	77 218	38 300	115 518	25 591
Other loans	62 754	13 479	76 233	14 426	38 051	9 837	47 888	9 987
	1 241 534	**281 505**	**1 523 039**	**329 811**	**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 31 December 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	1 372 183						1 372 183
Deposits at other credit institutions	396 965	69 891					466 856
Financial assets held for trading and at fair value through profit or loss		243 993	147 356	81 760	143 308	455 866	1 072 283
Financial assets available for sale		1 279 181	3 033 538	2 229 797	2 756 389	481 995	9 780 900
Held-to-maturity investments		11 964	44 168	79 771	399		136 302
Loans and advances to credit institutions		1 856 203		27 816	44		1 884 063
Loans and advances to Customers		3 373 800	2 549 899	7 312 305	12 545 599	997 230	26 778 833
Hedging derivatives[1]		1 051 572	4 616 743	6 831 764	2 913 730		15 413 808
Trading derivatives[1]		525 477	2 153 960	3 793 523	1 636 005		8 108 965
Contractual interest cash flows of derivatives		72 530	133 799	383 167	244 054		833 549
Contractual interest cash flows of other assets	31	756 459	734 954	2 562 870	2 296 976		6 351 290
	1 769 179	**9 241 070**	**13 414 416**	**23 302 772**	**22 536 504**	**1 935 091**	**72 199 033**
Liabilities							
Resources of central banks		73 962	10 578	4 000 000			4 084 540
Resources of other credit institutions		1 189 306	57 645	140 031	57 004		1 443 986
Resources of Customers and other debts	8 050 286	5 960 544	6 737 103	4 233 520	302 091		25 283 544
Debt securities		107 127	467 405	1 885 674	68 354		2 528 560
Financial liabilities relating to transferred assets			487 576	900 822			1 388 398
Hedging derivatives[1]		1 052 434	4 616 711	6 831 341	2 910 863		15 411 349
Trading derivatives[1]		530 887	2 149 547	3 794 322	1 651 433		8 126 188
Technical provisions		288 760	826 593	803 007	771 408		2 689 768
Contingent convertible subordinated bonds				920 000			920 000
Other subordinated debt and participating bonds		59 245	25 295	52 231			136 771
Contractual interest cash flows of derivatives		58 577	211 723	726 304	294 255		1 290 859
Contractual interest cash flows of other liabilities		115 132	177 593	450 670	70 301		813 695
	8 050 286	**9 435 974**	**15 767 768**	**24 737 923**	**6 125 709**		**64 117 659**

1) Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 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.

The Bank continuously tracks the evolution of its liquidity, monitoring the incoming and outgoing of funds in real time. Projections of liquidity are carried out in order to help plan the short and medium term funding strategy. In 2013 the BPI Group repaid debt totalling 69 000 th. euro. In March and July 2013 the Bank made early repayment of 200 000 th. euro and 80 000 th. euro, respectively, of the Contingent Convertible Subordinated Bonds, the amount of 920 000 th. euro remaining outstanding. The amount of 1 397 000 th. euro of the securities portfolio was repaid and / or sold. Net funding obtained from the ECB in December 2013 amounted to 4 000 000 th. euro, with scheduled maturity for 2015, with the possibility of early repayment. The Bank did not make any repayments. At 31 December 2013 the Bank had a portfolio of assets eligible for obtaining funding from the ECB, totalling 11 138 466 th. euro net of valuation margins. This amount includes 5 486 809 th. 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 2013 and 2012 the average VaR in the Bank's trading books was as follows:

	31 Dec. 13		31 Dec. 12	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	384	1 474	1 582	8 131
Currency risk	1 278	1 596	929	1 985
Equity risk	1 167	3 276	1 013	3 903
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.

Offsetting of financial assets and liabilities

BPI Group has contracts that allow the offsetting of financial assets and liabilities on a net basis per counterparty, namely derivative operations and repo security transactions.

The Group has the policy of contracting its derivative operations with its professional counterparties (through "ISDA Master Agreements") or with its Customers (through framework contracts), in order to have the possibility, in both cases, of netting positions by counterparty or Customer. Credit Support Annexes (CSA's) are also signed with professional counterparties that allow the transfer of collateral in order to minimize the risk.

Repo transactions are made mostly under a standard ISMA contract called "Global Master Repurchase Agreement", which is considered as a compensation agreement, allowing the offsetting of the positive and negative values of all transactions negotiated with the counterparty.

Derivatives and repo transactions relating to securities are not compensated for the purpose of presentation in the financial statements of the BPI Group – the amount of each transaction is recorded as an asset or a liability, depending on whether the operation has a positive or negative fair value, respectively.

At 31 December 2013 and 2012 the amount of asset derivative financial instruments[1] traded in the over-the-counter market, offset by related liability derivatives, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
		31 Dec. 13		
Financial Institutions	194 266	(97 455)	(71 683)	25 128
Local and Administrative Public Sector	110			110
Other Financial Intermediaries	185			185
Companies	171 613	(271)		171 342
Individuals	562	(1)		561
Total	**366 736**	**(97 727)**	**(71 683)**	**197 326**
		31 Dec. 12		
Financial Institutions	291 562	(152 545)	(904 200)	(765 183)
Local and Administrative Public Sector	789			789
Other Financial Intermediaries	1 897	(208)	(241)	1 448
Companies	251 085	(655)		250 430
Insurance Companies / Pensions	13			13
Individuals	1 014	(1)		1 013
Total	**546 360**	**(153 409)**	**(904 441)**	**(511 490)**

1) Does not include embedded derivatives and other options in the amount of 554 th. euro and 1 733 th. euro, at 31 December 2013 and 2012, respectively.

At 31 December 2013 and 2012, the amount of liability derivative financial instruments[1] traded in the over-the-counter market, offset by related asset derivatives, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral pledged as guarantee	
		31 Dec. 13		
Financial Institutions	725 148	(97 455)	(615 942)	11 751
Local and Administrative Public Sector	1			1
Other Financial Intermediaries	843			843
Companies	26 305	(271)		26 034
Individuals	11	(1)		10
Total	**752 308**	**(97 727)**	**(615 942)**	**38 639**
		31 Dec. 12		
Financial Institutions	1 075 279	(152 545)	(95 307)	827 427
Other Financial Intermediaries	477	(208)		269
Companies	13 696	(655)	(2 815)	10 226
Insurance Companies / Pensions	279			279
Individuals	24	(1)		23
Total	**1 089 755**	**(153 409)**	**(98 122)**	**838 224**

At 31 December 2013 and 2012 the amount of securities purchased with resale agreements, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
		31 Dec. 13		
Financial institutions	33 551	(33 551)		
Central banks	287 357	(287 357)		
Total	**320 908**	**(320 908)**		
		31 Dec. 12		
Central banks	412 017	(412 017)		
Total	**412 017**	**(412 017)**		

At 31 December 2013 and 2012 the amount of debt securities sold with repurchase agreements, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral pledged as guarantee	
		31 Dec. 13		
Financial institutions	865 667	(865 667)		
Other financial intermediaries	106 798	(106 798)		
Total	**972 465**	**(972 465)**		
		31 Dec. 12		
Financial institutions	1 714 249	(1 714 249)		
Total	**1 714 249**	**(1 714 249)**		

1) Does not include embedded derivatives and other options in the amount of 554 th. euro and 1 733 th. euro, at 31 December 2013 and 2012, respectively.

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations (including the securities portfolio of the international activity classified in the accounting records as of trading):

Time band	Financial margin					
	31 Dec. 13			31 Dec. 12		
	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	535 986	2.00%	10 720	913 878	2.00%	18 278
on demand-1 month	(3 783 685)	1.92%	(72 647)	(4 374 287)	1.92%	(83 986)
1-2 months	1 490 724	1.75%	26 088	2 523 208	1.75%	44 156
2-3 months	3 219 036	1.58%	50 861	2 905 215	1.58%	45 902
3-4 months	(63 375)	1.42%	(900)	62 328	1.42%	885
4-5 months	453 852	1.25%	5 673	(93 680)	1.25%	(1 171)
5-6 months	2 244 665	1.08%	24 242	3 284 600	1.08%	35 474
6-7 months	897 571	0.92%	8 258	686 606	0.92%	6 317
7-8 months	10 816	0.75%	81	(76 932)	0.75%	(577)
8-9 months	308 809	0.58%	1 791	(46 973)	0.58%	(272)
9-10 months	(17 430)	0.42%	(73)	71 286	0.42%	299
10-11 months	41 443	0.25%	104	(114 650)	0.25%	(287)
11-12 months	363 865	0.08%	291	(44 352)	0.08%	(35)
Total			**54 488**			**64 982**

Note: The positions were distributed by the asset, liability and respective maturity class columns.

The weighted position indicates an estimate of the impact on the financial margin obtained at the end of 12 months starting on 1 January 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 31 December 2013 BPI had a liability of 920 000 th. 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 31 December 2012 BPI had a liability of 1 200 000 th. euro at a fixed interest rate, corresponding to the contingent convertible subordinated bonds, which was partially offset by 425 275 th. euro of fixed rate assets (Portuguese public debt). The interest rate risk of the remaining fixed interest rate assets and liabilities is hedged through derivatives, or is offset by balance sheet operations with a reverse risk profile.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[1]. This stress test was based on the following exposures in shares and participating units:

	31 Dec. 13	31 Dec. 12
Financial assets held for trading and at fair value through profit or loss	16 636	16 533
Financial assets available for sale – at fair value and without impairment	129 906	109 053
Financial assets available for sale – at fair value and with impairment	80 377	70 935
Financial assets available for sale at historical cost	7 713	8 799
Participating units in liquidity, bond and real estate funds	74 033	47 852
	308 665	**253 172**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities recorded at cost and participating units in liquidity, bond and real estate funds) at 31 December 2013 and 2012, would result in a decrease of 45 384 th. euro and 39 304 th. euro, respectively, in their fair value, implying the recognition of a loss of 19 403 th. euro and 17 494 th. 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 31 December 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	304 935	483 216	578 878	5 182	1 372 211
Deposits at other credit institutions	323 029	116 493	2 786	24 551	466 859
Financial assets held for trading and at fair value through profit or loss	1 051 393	90 880	139 736	13 771	1 295 780
Financial assets available for sale[1]	7 734 599	1 080 482	1 315 563	437	10 131 081
Loans and advances to credit institutions	(57 144)	1 427 934	514 469	811	1 886 070
Loans and advances to Customers	24 532 958	655 040	650 407	126 728	25 965 133
Held-to-maturity investments	136 877				136 877
Hedging derivatives	188 544	1 055		4 444	194 043
Debtors and other applications	38 742	80 448	1 612	927	121 729
	34 253 933	**3 935 548**	**3 203 451**	**176 851**	**41 569 783**
Liabilities					
Resources of central banks	4 066 106	73 962			4 140 068
Financial liabilities held for trading	251 668	2 371	1 233	(27)	255 245
Resources of other credit institutions	453 505	998 194		1 550	1 453 249
Resources of Customers and other debts	18 456 215	4 059 833	2 759 513	219 400	25 494 961
Debt securities	2 535 997	30 764		31 694	2 598 455
Financial liabilities relating to transferred assets	1 387 296				1 387 296
Hedging derivatives	537 108	11 282		68	548 458
Provisions	101 701	20 378	1 228	473	123 780
Technical provisions	2 689 768				2 689 768
Contingent convertible subordinated bonds	920 433				920 433
Other subordinated debt and participating bonds	136 931				136 931
	31 536 728	**5 196 784**	**2 761 974**	**253 158**	**39 748 644**
Forward currency operations	(1 520 427)	1 369 445	44 512	120 248	13 778
		108 209	**485 989**	**43 941**	
Stress test		21 642	145 797	8 788	

1) Excludes the amount recorded in the Fair Value Reserve.

Financial assets and liabilities at 31 December 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 amortised 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 31 December 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	405 719	3 111	(2 385)	33 922	440 367	480 571	(5 842)	(35 297)	(41 139)
Fixed rate securities portfolio	3 415 040	(304 451)		405 990	3 516 579	3 453 632	(63 919)	(405 957)	(469 876)
	3 820 759	**(301 340)**	**(2 385)**	**439 912**	**3 956 946**	**3 934 203**	**(69 761)**	**(441 254)**	**(511 015)**
Liabilities									
Resources of credit institutions	20 000	775		7 444	(28 219)	20 000	750	7 441	8 191
Customer deposits	8 833 347	61 041		25 973	(8 920 361)	9 326 842	47 551	16 913	64 464
Debt issues	1 683 175	16 583		45 031	(1 744 789)	2 305 304	20 814	63 131	83 945
	10 536 522	**78 399**		**78 448**	**(10 693 369)**	**11 652 146**	**69 115**	**87 485**	**156 600**

Note: Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at 31 December 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**

Note: Embedded options were not included.

The tables above include the nominal amounts of hedged items for which hedge accounting is being applied. The notional amount of hedging instruments corresponds to the sum of the notional amounts of the hedging 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 recognised in hedging derivative financial instruments and in hedged items in 2013 and 2012 were the following:

Fair value types of hedge	31 Dec. 13	31 Dec. 12
Hedging derivatives	116 839	(221 162)
Hedged items		
Loans and advances to credit institutions		(83)
Loans to Customers	(15 234)	13 267
Fixed rate securities portfolio	(169 137)	222 879
Resources of credit institutions	3 062	(1 719)
Customer deposits	19 528	(17 537)
Debt issues	45 382	35 251
	(116 399)	**252 058**
	440	**30 896**

The caption GAIN ON DEBT ISSUES at 31 December 2013 and 2012 includes 767 th. euro and 23 721 th. 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 resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which expires on a gradual basis over the three years following the grant date (25% each year). The options to purchase shares may be exercised between the 90^{th} day to the fifth year as from the grant date. In accordance with the RVA Regulations, termination of the employment relationship between the Employee and the BPI Group also affects the options granted.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those referred above for Employees. As from RVA 2010, the shares and share options granted to the Executive Directors under the RVA program are subject to the following suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, observing the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition of non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options only begins after that period.

During the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

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 assign-ment	Strike price[1]	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	1.11	2012-04-29	2013-04-29	2014-04-29
RVA 2011	2012-05-28	0.36	2013-05-28	2014-05-28	2015-05-28
RVA 2012	2012-12-19	0.87	2013-12-19	2014-12-19	2015-12-19

1) Strike price after considering the effect of the share capital increases made in May 2011 and in August 2012.

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 increases made in May 2011 and 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 assignment	Strike price[1]	Date of availability
RVA 2010	2011-04-29	1.11	2014-04-29

1) Strike price after considering the effect of the share capital increase made in August 2012.

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**

Note: The RVA 2013 amounts are estimated for the 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 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		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
Shares attributed 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	1 651	2	1						
Shares made available early in 2011	5 659	7	3	120											
Shares refused in 2011															
Shares not made available at 31 December 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	1 780	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 31 December 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	5	1 785	2	2	2 289	1	3	15 222	13	19
Shares made available early in 2013															
Shares refused in 2013															
Shares not made available at 31 December 2013							1 843	2	2	4 578	2	6	30 444	26	37

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 2013 and 2012, as well as their respective fair values are as follows:

	RVA 2007			RVA 2008			RVA 2009			RVA 2010			RVA 2011			RVA 2012		
	Number of options	Fair value		Number of options	Fair value		Number of options	Fair value		Number of options	Fair value		Number of options	Fair value		Number of options	Fair value	
		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date
Options attributed up to 2011	16 301 093	5 836		3 548 826	1 207	20	2 287 885	764	6	837 481	210	16						
Options made available until 2011	16 301 093	5 836		3 548 826	1 207	20	2 287 885	764	6	837 481	210	16						
Options cancelled in 2011	483 635	173		4 853	2													
Options exercised in 2011	1 878	1		1 119 935	381	6												
Options in circulation and exercisable at 31 December 2011	15 815 580	5 662		2 424 038	824	13	2 287 885	764	6	837 481	210	16						
Options in circulation at 31 December 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	1 194 011	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	1 194 011	145	767	2 173 552	602	778
Options cancelled in 2012	562																	
Options exercised in 2012													461 339	56	296			
Options in circulation and exercisable at 31 December 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 31 December 2012	16 130 488	5 663		2 474 467	824	505	2 337 808	763	346	855 761	210	444	732 672	89	815	2 173 552	602	1 635
Options attributed in 2013																443 101	123	333
Options made available in 2013																443 101	123	333
Options cancelled in 2013	16 130 488	5 663					24 501	8	4							412 628	114	310
Options exercised in 2013										7 495	2	4	283 198	34	315	85 005	24	64
Options in circulation and exercisable at 31 December 2013				2 474 467	824	505	2 313 307	755	342	848 266	208	440	449 474	55	500	2 119 020	587	1 594

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 2013 and 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	7 495	1.13		
RVA 2011	283 198	1.24	461 339	0.79
RVA 2012	85 005	1.12		

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 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
BPI listing	3.33	1.41	1.94	1.25	0.37	0.87
Strike price	3.33	1.41	1.94	1.25	0.37	0.87
Implicit volatility	29.34%	44.27%	32.25%	35.97%	41.70%	39.78%
Interest rate	3.73%	3.10%	2.68%	5.15%	3.87%	3.18%
Expected dividends	0.19	0.07	0.08	0.00	0.00	0.00
Value of the option	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 31 December 2013 was as follows:

	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
Number of outstanding options	2 474 467	2 313 307	848 266	449 474	2 119 020
Strike price	1.26	1.72	1.11	0.36	0.87
Value of option	0.20	0.15	0.52	1.11	0.75

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2012 was as follows:

	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
Number of outstanding options	16 130 488	2 474 467	2 337 808	855 761	732 672	2 173 552
Strike price	2.85	1.26	1.72	1.11	0.36	0.87
Value of option	0.00	0.05	0.04	0.20	0.64	0.36

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 derecognised by corresponding charge to the accumulated costs caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the share component of the RVA program not yet made available to the Employees / Directors at 31 December 2013 and 2012 are as follows:

Shares	Program	31 Dec. 13			31 Dec. 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, recognised in shareholders' equity	RVA 2009				7		
	RVA 2010	124			95		
	RVA 2011	1			2		
	RVA 2012	15			14		
	RVA 2013	23					
		163			**118**		
Cost of the shares to be made available to the Group's employees / directors, not recognised in shareholders' equity	RVA 2010	(122)			(91)		
	RVA 2011	1					
	RVA 2012	11			26		
	RVA 2013	25					
		(85)			**(65)**		
	Total	**78**	**36 865**	**45**	**53**	**60 256**	**56**
Treasury shares made available early to the Group's employees / directors	RVA 2008				8		
	Total				**8**		
Treasury shares to be made available early to the Group's employees / directors	RVA 2009				7	4 095	4
	RVA 2010	2	1 843	2	4	3 628	3
	RVA 2011	2	4 578	6	2	6 867	6
	RVA 2012	26	30 444	37	40	45 666	43
	Total	**30**	**36 865**	**45**	**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 derecognised together with transfer of share ownership to the Employees. At that time a gain or loss is recognised, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees / Directors at 31 December 2013 and 2012 are as follows:

Options	Program	31 Dec. 13 Book value	31 Dec. 13 Fair value	31 Dec. 13 Unrealized gain / (loss)	31 Dec. 12 Book value	31 Dec. 12 Fair value	31 Dec. 12 Unrealized gain / (loss)
Cost of outstanding options (premiums) recognised in shareholders' equity	RVA 2007				5 725		
	RVA 2008	828			828		
	RVA 2009	806			814		
	RVA 2010	590			496		
	RVA 2011	55			89		
	RVA 2012	587			488		
	RVA 2013	385					
		3 251			**8 440**		
Cost of outstanding options (premiums) not recognised in shareholders' equity	RVA 2012				121		
	RVA 2013	167					
		167			**121**		
	Total	**3 418**	**2 619**	**799**	**8 561**	**1 751**	**6 810**
Treasury shares hedging the RVA options	RVA 2007				11 348	3 271	(8 077)
	RVA 2008	3 045	1 797	(1 248)	3 045	1 394	(1 651)
	RVA 2009	3 147	1 252	(1 895)	3 147	971	(2 176)
	RVA 2010	95	38	(57)	118	36	(82)
	RVA 2011	2 391	889	(1 502)	133	38	(95)
	RVA 2012	8 382	3 463	(4 919)	428	414	(14)
	Total	**17 060**	**7 439**	**(9 621)**	**18 219**	**6 124**	**(12 095)**
Unrealized gain / (loss)				**(8 822)**			**(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 31 December 2013 and 2012, are as follows:

Gain-loss		Program	31 Dec. 13	31 Dec. 12
Shares	In making the shares available	RVA 2011		(25)
		RVA 2012		(7)
				(32)
Options	In the exercise of options	RVA 2010	(13)	
		RVA 2011	(848)	(1 283)
		RVA 2012	(53)	
			(914)	**(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**	
			4 810	**(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 (1 January) to the date they are made available to the Employees / Directors.

The total cost of the share-based payment program recognised in 2013 and 2012 was as follows:

Program	31 Dec. 13 Shares	31 Dec. 13 Options	31 Dec. 13 Total	31 Dec. 12 Shares	31 Dec. 12 Options	31 Dec. 12 Total
RVA 2008				(6)		(6)
RVA 2009		(8)	(8)	2		2
RVA 2010	31	95	126	32	95	127
RVA 2011	1		1	(1)	12	11
RVA 2012	14	122	136	27	488	515
RVA 2013	23	385	408			
Total	**69**	**594**	**663**	**54**	**595**	**649**

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.

In the European Council of 26 October 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 8 December 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 30 June 2012, considering sovereign debt exposures at 30 September 2011 valued at market prices at that date. This Recommendation was accepted by the Bank of Portugal through the Notice 5 / 2012.

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 it was 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 30 September 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 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 I 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 th. euro, includes:

a) a capital increase of 200 000 th. euro with pre-emptive rights of the shareholders;

b) the issuance of financial instruments eligible as core tier I own funds (contingent convertible subordinated debt), subscribed for by the Portuguese State, in the amount of 1 300 000 th. euro.

On 29 June 2012 subscription by the Portuguese State of the instruments referred in b) above was carried out, in the amount of 1 500 000 th. euro, which was reduced to 1 300 000 th. euro after the capital increase mentioned above in a). The features of these instruments are defined in Law 63-A / 2008 of 24 November as republished by Law 4 / 2012 of 11 January (Bank Recapitalization Law), in Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012 of the Portuguese Minister of Finance and State of 28 June 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 10 August 2012 the Bank's capital increase, in the amount of 200 000 th. euro, with preemptive rights of the shareholders, was concluded and on 13 August 2012 this amount was used by the Bank to repay part of the contingent convertible subordinated bonds, which were reduced to 1 300 000 th. euro.

In December 2012 contingent convertible subordinated bonds of 100 000 th. euro were repaid, the amount of which was thus reduced to 1 200 000 th. euro. On 13 March 2013 the Bank repaid to the Portuguese State, contingent convertible subordinated bonds in the amount of 200 000 th. euro, the nominal amount of which was reduced to 1 000 000 th. euro. At 16 July 2013 the Bank repaid to the Portuguese State 80 000 th. euro of contingent convertible subordinated bonds, whose nominal amount was reduced to 920 000 th. euro.

In the period from 30 September 2011 – the reference date of the temporary capital buffer of EBA – to 31 December 2013, Banco BPI's exposure to sovereign risk and the value of those assets, based on market prices changed significantly.

(million euro)	30 Sep. 11				31 Dec. 13			
	Nominal value	EBA temporary buffer[1]			Nominal value	Recalculation of the buffer[1]		
		Securities	Derivatives	Total		Securities	Derivatives	Total
Sovereign bonds (after tax)								
Portugal	2 766	(582)	(125)	(708)	5 199	(86)	(148)	(235)
Of which:								
Treasury bonds acquired until 31 Dec. 11	2 732	(582)	(125)	(708)	1 704	(92)	(148)	(240)
Treasury bills	34				3 495	6		6
Italy	975	(66)	(73)	(139)	975	37	(93)	(55)
Ireland	355	(37)	(19)	(56)				
Greece	480	(136)	(39)	(175)				
	4 576	**(822)**	**(256)**	**(1 078)**	**6 174**	**(49)**	**(241)**	**(290)**
Loans to Local Public Administration	1 058			(281)	772[2]			(117)
Capital buffer for sovereign risk exposure				**(1 359)**				**(406)**
Amount recognised in results (Greece)				175				
Temporary capital needs				**(1 184)**				**(406)**

1) Includes hedging of interest rate risk.

2) Exposure as of 31 December 2013 applying average haircuts by maturity estimated by BPI based on 31 December 2013 market prices.

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 31 December 2013 and 2012:

	31 Dec. 13	31 Dec. 12
Base own funds		
Subscribed share capital, share premium, reserves (excluding positive fair value reserves) and retained earnings	2 230 220	2 178 504
Contingent convertible subordinated bonds	920 000	1 200 000
Preference shares	51 326	51 326
Other minority interests	272 285	240 775
Intangible assets	(19 149)	(14 017)
Treasury shares	(13 676)	(10 864)
Deduction related to deposits with high interest rates	(278)	(4 782)
Actuarial deviations considered in the prudential corridor	74 870	69 491
Contributions to the pension fund not yet recognised as cost (corridor method)		(63)
Deferred transition adjustments to IAS / IFRS	12 367	24 734
Base own funds	**3 527 965**	**3 735 104**
Complementary own funds		
Revaluation reserves of fixed assets	8 548	8 548
Positive fair value reserve	7 643	10 610
Subordinated debt and participating securities	71 937	106 387
Complementary own funds	**88 128**	**125 545**
Deductions		
Deduction of participations in insurance companies and other financial institutions	(204 208)	(182 829)
Others deductions	(9 245)	(3 223)
Deductions	**(213 453)**	**(186 052)**
Total own funds	**3 402 640**	**3 674 597**
Total requirements	1 681 277	1 960 947
Assets weighted by risk[1]	**21 015 960**	**24 511 839**
Own Funds requirements ratio	16.2%	15.0%
Tier I[2]	16.2%	14.9%
Core tier I (excluding preference shares)[2]	16.5%	15.0%
Percentage of preference shares to tier I	1.5%	1.4%

1) Total requirements x 12.5.
2) Calculated in accordance with Bank of Portugal Instruction 16 / 2004.

On 22 July 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 26 June and by the Regulation (UE) No. 575 / 2013 of the European Parliament and of the Council, of 26 June (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 I in absolute terms (in euros), corresponding to the amount of capital necessary to comply with the EBA's capital requirements at 30 June 2012.

Central banks may authorize exceptions to the minimum core tier I, after consultation and discussion with EBA if:

- the Bank is developing a specific restructuring plan or a risk mitigation plan; or,
- if the level of capital of the Bank is considered to be greater than minimum Common Equity T1 (4.5%) and the capital preservation buffer (2.5%) required by the CRD IV / CRR rules, considering full implementation of these rules.

At 31 December 2013 Banco BPI had a CET 1 capital ratio 11.2%, calculated according to the rules of the fully implemented CRD IV / CRR, which represents a capital surplus of 713 M.€ in relation to the minimum CET1 ratio of 4.5% and the capital conservation buffer of 2.5% (ratio of 7%).

Dividend policy

As from the amendment to the articles of association of Banco BPI approved in the Shareholders' General Meeting held on 20 April 2006, the following rule was included (Article 26 item 3): "The Shareholders' General Meeting should decide on the long term dividend policy by proposal of the Board of Directors which should justify possible deviations from that policy."

In complying with this statutory rule, the Shareholders' General Meeting held on 19 April 2007 approved the Long Term Dividend Policy of Banco BPI, the main guideline, being to distribute an annual dividend of not less than 40% of consolidated net income for the year, except in special circumstances.

The Policy referred to in the last paragraph is temporarily limited by item 6.4. of the Recapitalization Plan approved in the General Meeting held on 27 June 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 I 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 31 December 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, S.A.	Portugal	35.0%	35.0%
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	32.8%	32.8%
Unicre – Instituição Financeira de Crédito, S.A.	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	13.1%	
Fundo de Pensões Aberto BPI Valorização	Portugal	43.0%	
Fundo de Pensões Aberto BPI Segurança	Portugal	26.9%	
Fundo de Pensões Aberto BPI Garantia	Portugal	12.4%	
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			
Klaus Dührkop			
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, results and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at 31 December 2013 were as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	2 701		2 701
Financial assets held for trading and at fair value through profit or loss		156	156
Loans	28 538		28 538
Other assets	19 380		19 380
	50 619	**156**	**50 775**
Liabilities			
Deposits and technical provisions	32 859	116 250	149 109
Other financial resources		60 078	60 078
Other liabilities	944		944
	33 803	**176 328**	**210 131**
Income			
Net interest income	(61)	(2 422)	(2 483)
Net fees and comissions	39 224	30	39 254
General and administrative expenses	(787)	(16 689)	(17 476)
	38 376	**(19 081)**	**19 295**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	9 631		9 631
Responsabilities for services rendered			
Deposit and safeguard of assets	1 052 565	919 179	1 971 744
	1 062 196	**919 179**	**1 981 375**

The total assets, liabilities, results and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 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	86 226			86 226
Financial assets held for trading and at fair value through profit or loss	5 191			5 191
Financial assets available for sale			48 094	48 094
Loans	16 487	10 894	200 292	227 673
Held-to-maturity investments	14 856			14 856
Others			102	102
	122 760	**10 894**	**248 488**	**382 142**
Liabilities				
Deposits and technical provisions	4 229	6 378	34 885	45 492
Other liabilities	7 110	25	108	7 243
	11 339	**6 403**	**34 993**	**52 735**
Income				
Net interest income	1 430	(70)	571	1 931
Net fees and comissions		15	5	20
General and administrative expenses	50			50
	1 480	**(55)**	**576**	**2 001**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	18 330	93	127 499	145 922
Commitments to third parties				
Revocable commitments	204		75 000	75 204
Responsabilities for services rendered				
Deposit and safeguard of assets	781 234	22 683	399 545	1 203 462
Others			69 557	69 557
Foreign exchange operations and derivatives instruments				
Purchases	472 787		54 958	527 745
Sales	(479 634)		(54 992)	(534 626)
	792 921	**22 776**	**671 567**	**1 487 264**

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, results and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at 31 December 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**
Income			
Net interest income	(57)	(2 012)	(2 069)
Net fees and comissions	38 597	259	38 856
General and administrative expenses	(941)	(16 290)	(17 231)
	37 599	**(18 043)**	**19 556**
Off balance sheet items			
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, results and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 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**
Income				
Net interest income	1 857	(109)	2 663	4 411
Net fees and comissions	40	12	8	60
	1 897	**(97)**	**2 671**	**4 471**
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.

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 24 November) and approval by the Shareholders' General Meeting held on 27 June 2012 of adjustments to the Remuneration Policy included in the section 6.1.1 of the Governance Report of the BPI Group, 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 2013 the overall remuneration for exercising the function of **Chairman of the Shareholders' General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the Shareholders' General Meeting Committee do not gain from this fact any retirement entitlement.

Remuneration of the Supervisory Board

At 26 June 2012, 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 2013, the aggregate remuneration of the Supervisory Board members was 177 547 euro gross[1].

The gross amounts earned individually were as follows: **Abel Pinto dos Reis** (Chairman) earned 65 017.26 euro; **Jorge Figueiredo Dias** earned 56 264.88 euro; **José Adelino Neves** earned 56 264.88 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

At 26 June 2013, considering the Limit, the Remunerations Committee decided to reduce the overall annual remuneration of the members of the Board of Directors to 2 629 th. euro.

In 2013, the remuneration of all the members of the Board of Directors amounted to 2 629 th. euro relating to fixed remuneration.

In addition, the payment of 41 672 euro relating to seniority payments and 13 596 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, 103 600 euro relating to attendance allowances.

There were no payments in 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 485 100 euro in 2013 and includes regular fixed salaries, paid in 14 installments, in the amount of 381 500 euro, the payment of attendance allowances for meetings of the Consultative Committees of the Board of Directors in the amount of 103 600 euro.

The **amounts earned individually** were as follows: **Artur Santos Silva** earned fixed remuneration of 63 000 euro for his role as Chairman of the Board of Directors. He also received attendance allowances totalling 16 650 euro: 14 800 euro for serving on the Financial Risks Committee and 1 850 euro for serving on the Corporate Governance Committee. **Alfredo Rezende Almeida** earned fixed remuneration of 24 500 euro, plus 18 500 euro for attendance allowance for serving on the Audit and Internal Control Committee. **António Lobo Xavier** earned fixed remuneration of 24 500 euro, plus 3 700 euro for attendance allowance for serving on the Nominations, Evaluation and Remunerations Committee. **Armando Leite Pinho** earned fixed remuneration of 24 500 euro, plus 1 850 euro in attendance allowances for serving on the Corporate Governance Committee. **Carlos Moreira da Silva** earned fixed remuneration of 24 500 euro, plus 3 700 euro in attendance allowances for serving on the Nominations, Evaluation and Remunerations Committee. **Edgar Alves Ferreira** earned fixed remuneration of 24 500 euro, plus 18 500 euro in attendance allowances for serving on the Audit and Internal Control Committee. **Herbert Walter** earned a fixed remuneration of 24 500 euro. **Ignacio Alvarez-Rendueles** earned fixed remuneration of 24 500 euro, plus 12 950 euro as attendance allowance for serving on the Audit and Internal Control Committee. **Isidro Fainé Casas**, earned fixed remuneration of 24 500 euro. **Juan María Nin**, earned fixed remuneration of 24 500 euro. **Klaus Dührkop** earned fixed remuneration of 24 500 euro. **Marcelino Armenter Vidal** earned fixed remuneration of 24 500 euro, plus 18 500 euro in attendance allowances for serving on the Financial Risks Committee (14 800 euro) and for serving on the Nominations, Evaluation and Remunerations Committee (3 700 euro). **Mário Leite da Silva** earned fixed remuneration of 24 500 euro, plus 7 400 euro as attendance allowance for serving on the Audit and Internal Control Committee. **Tomaz Jervell**, earned fixed remuneration of 24 500 euro, plus 1 850 euro in attendance allowances for serving on the Corporate Governance Committee.

Remuneration of the Executive Committee

Total remuneration (fixed) paid to Banco BPI's Executive Committee in 2013 for carrying out its duties was 2 247 472 euro. In addition, the payment of 41 672 euro relating to seniority payments and 13 596 euro relating to long service premiums. In 2013 no variable remuneration was paid to the Executive Board members.

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.

The total remuneration earned individually by the members of the Executive Committee were as follows, (fixed remuneration being paid in 14 instalments): **Fernando Ulrich** (Chairman): fixed remuneration of 412 609.54 euro, plus 7 201.60 euro relating to seniority payments and 5 814.37 euro relating to long service premium. **António Domingues** (Vice-Chairman): fixed remuneration of 378 225.40 euro, plus 5 539.52 euro relating to seniority payments. **António Farinha Morais**: fixed remuneration of 291 327.40 euro, plus 9 457.05 euro relating to seniority payments. **José Pena Amaral**: fixed remuneration of 291 327.40 euro, plus 5 539.66 euro relating to seniority payments. **Manuel Ferreira da Silva**: fixed remuneration of 291 327.40 euro plus 5 539.66 euro relating to seniority payments and 5 713.91 euro relating to long service premium. These amounts correspond to

1) The Audit Committee also includes Dr. Miguel Barbosa, State representative in that body, having been appointed through Order 15463-B / 2012 of the Minister of State and Finance. This appointment was made under the provisions of Article 14 of Law 2. 63-A / 2008 of 24 November and taking into account the provisions of section 9 of Order 8840-A / 2012 of the Minister of State and Finance which approved the recapitalization of Banco BPI. The fixed monthly remuneration was 4 644.09 euro, so the total remuneration paid in 2013 amounted to 65 017 euro.

remuneration earned from Banco Português de Investimento (fixed remuneration of 229 749.05 euro) and Banco BPI (fixed remuneration of 72 831.92 euro). **Maria Celeste Hagatong**: fixed remuneration of 291 327.40 euro, plus 5 539.66 euro relating to seniority payments. **Pedro Barreto**: fixed remuneration of 291 327.40 euro plus 2 855.10 euro relating to seniority payments and 2 068.01 euro relating to long service premium.

With the aforementioned exception of the Board member Manuel Ferreira da Silva, no other member of the Executive Committee received any remuneration from any Group company other than Banco BPI.

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 31 December 2013:

	Current	Retired	Total
Number of persons	7	4	11
Liability (th.€)	16 787	11 545	28 332

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 (th.€)	21 414	17 723	39 137

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 2013 by the members of the Executive Committee relating to old age retirement pensions amounted to 84 162 euro.

Loans to members of the Board of Directors

Mortgage loans

At 31 December 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 1 696 th. euro.

Credit lines for the exercise of RVA options and subscriptions of BPI shares in the capital increase realised in 2008

Banco BPI's executive Directors (as well as its employees) benefit from a credit line for the acquisition and maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA scheme. At 31 December 2013, the balance of credit given to the members of Banco BPI's Executive Committee was 5 460 th. euro.

In 2008 a credit line was made available to the Directors of the Group companies (as well as to employees and retirees) who wished to subscribe for BPI shares in the capital increase to keep in the portfolio of shares thus acquired[1].

At 31 December 2013, the credit line balance relating to the members of Banco BPI's Executive Committee was 965 th. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the capital increase realised in 2008

Balance at 31 December 2013

	Credit line for the exercise of options[2]	Credit line for subscription for BPI shares
Banco BPI Executive Committee	5 460	965
Directors of Banco Português de Investimento[3]	100	38
Managers and other employees	2 325	272
Total	**7 885**	**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 th. euro in 2013.

In addition, the BPI Group incurs costs of 3.7 th. 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 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;

c) 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 3.2 of the Governance Report of the BPI Group, namely:

- employees considered as "managers" for purposes of the provisions of article 248-B of the Portuguese Securities Code;
- employees that occupy first and second tier positions in departments which perform control functions.

In 2013, the universe defined above encompassed 24 employees.

In 2013, the remuneration paid to the above universe totaled 2 356 th. euro split between fixed remuneration of 2 347 th. euro and long service premium of 9 th. euro. The fixed remuneration includes 67 th. euro related to seniority payments.

At 31 December 2013 the aggregate amount of pension rights (annual) acquired by the universe of employees under review was 1 175 th. 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	894 739	1 451 764
Long service premium	9 052	
Total remuneration	**903 791**	**1 451 764**
Pension rights acquired	485 926	688 866

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 2013 who fall within this universe.

No payments were made in 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 31 December 2013 were as follows:

	Shares[1]										
	Held at 31 Dec. 12	**Purchases**	**Sales**	**Held at 31 Dec. 13**	**Value at 31 Dec. 13[2]**	**Unavai-lable 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		369 938	500 000	608						
Fernando Ulrich[3]	2 092 180			2 092 180	2 544		1 585 040	348 510		4 144	714
Alfredo Rezende de Almeida	2 300 000		50 000	2 250 000	2 736						
António Domingues[3]	306 042		250 000	56 042	68						
António Farinha Morais[3]	548 501		98 501	450 000	547		258 823			332	
António Lobo Xavier											
Armando Costa Leite de Pinho											
Carlos Moreira da Silva	66 333			66 333	81						
Edgar Alves Ferreira	1 594 619		1 091 536	503 083	612						
Herbert Walter											
Ignacio Alvarez-Rendueles											
Isidro Fainé Casas											
José Pena do Amaral[3]	72 682			72 682	88						
Juan María Nin											
Klaus Dührkop											
Manuel Ferreira da Silva[3]	850 000			850 000	1 034				300 000		
Marcelino Armenter Vidal											
Maria Celeste Hagatong[3]	885 151			885 151	1 076		171 110	48 815		373	98
Mário Leite da Silva											
Pedro Barreto[3]	473 999			473 999	576		378 399	94 600		610	153
Tomaz Jervell	15 680			15 680	19						

A – Shares attributed under the RVA program, the availability of which at 31 December 2013 is subject to a resolutive condition.
B – Shares which at 31 December 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 31 December 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 31 December 2013 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed at 31 December 2013 on the loan referred to in B.
F – Amount owed at 31 December 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 31 December 2013 was as follows:

	Options[1]			
	Held at 31 Dec. 12	**Purchases**	**Exercise[2]**	**Held at 31 Dec. 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 Costa 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				
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 31 December 2013 was as follows:

	Shares										
	Held at 31 Dec. 12	Purchases	Sales	Held at 31 Dec. 13	Value at 31 Dec. 13[1]	Unavai-lable 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	186		48 064	18 964		100	38
Fernando Costa Lima	81 124			81 124	99						
José Miguel Morais Alves	35 517			35 517	43	8 974					
João Pedro Oliveira e Costa	10 708			10 708	13	5 354					

A – Shares attributed under the RVA program, the availability of which at 31 December 2013 is subject to a resolutive condition.
B – Shares which at 31 December 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 31 December 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 31 December 2013 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed at 31 December 2013, on the loan referred to in B.
F – Amount owed at 31 December 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 Investimento, in terms of the options held at 31 December 2013 was as follows:

	Options			
	Held at 31 Dec. 12	Purchases	Exercise[1]	Held at 31 Dec. 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 31 December 2013 was as follows:

	Shares[1]					Options[1]			
	Held at 31 Dec. 12	Purchases	Sales	Held at 31 Dec. 13	Value at 31 Dec. 13[2]	Held at 31 Dec. 12	Purchases	Exercise[3]	Held at 31 Dec. 13
Manuel Maria Meneses	103 704			103 704	126	263 323		142 268	121 055
Isabel Castelo Branco[4]	27 433		27 433			75 093		75 093	
Susana Trigo Cabral	21 038			21 038	26	96 272		96 272	
Luis Ricardo Araújo	57 200			57 200	70	307 188		78 445	228 743
Graça Graça Moura	37 134			37 134	45	45 640		45 640	
Ana Rosas Oliveira	6 487	10 000	10 000	6 487	8	134 047		82 741	51 306
João Avides Moreira	20 892			20 892	25	110 413		9 457	100 956

1) Includes securities held by their husbands / spouses.
2) Fair value of shares.
3) Includes extinction by lapsing.
4) Resigned in August 2013.

ARTUR SANTOS SILVA
On 4 November sold in the stock exchange:

- 8 402 shares at 1.153 euro per share;
- 10 757 shares at 1.150 euro per share;
- 9 243 shares at 1.144 euro per share;
- 72 544 shares at 1.146 euro per share;
- 40 500 shares at 1.145 euro per share;
- 24 000 shares at 1.142 euro per share;
- 35 015 shares at 1.153 euro per share;
- 67 521 shares at 1.155 euro per share;
- 11 495 shares at 1.152 euro per share;
- 85 461 shares at 1.140 euro per share;
- 5 000 shares at 1.143 euro per share.

FERNANDO ULRICH
Has not traded any Banco BPI shares.

At 31 December 2013 his spouse held 58 724 Banco BPI shares.

ALFREDO REZENDE DE ALMEIDA
On 6 May sold 50 000 shares in the stock exchange at 1.125 euro per share.

ANTÓNIO DOMINGUES
Sold in the stock exchange:

- on 6 May sold 100 000 shares at 1.120 euro per share and 100 000 at 1.145 euro per share;
- on 7 May sold 50 000 shares at 1.150 euro per share.

On 21 March 1 069 674 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

ANTÓNIO FARINHA MORAIS
Sold in the stock exchange:

On 31 October:
- 5 000 shares at 1.154 euro per share;
- 3 501 shares at 1.149 euro per share.

On 1 November:
- 10 000 shares at 1.170 euro per share.

On 4 November:
- 5 000 shares at 1.140 euro per share.

On 5 November:
- 5 000 shares at 1.150 euro per share.

On 6 November:
- 5 000 shares at 1.149 euro per share;
- 5 000 shares at 1.154 euro per share;
- 5 000 shares at 1.159 euro per share;
- 5 000 shares at 1.179 euro per share;
- 5 000 shares at 1.189 euro per share.

On 14 November:
- 5 000 shares at 1.173 euro per share.

On 15 November:
- 5 000 shares at 1.179 euro per share.

On 18 November:
- 5 000 shares at 1.179 euro per share;
- 5 000 shares at 1.177 euro per share;
- 5 000 shares at 1.176 euro per share;
- 10 000 shares at 1.173 euro per share.

On 19 November:
- 5 000 shares at 1.180 euro per share;
- 5 000 shares at 1.179 euro per share.

On 21 March 627 542 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

ANTÓNIO LOBO XAVIER
Does not hold and has not traded any Banco BPI shares.

ARMANDO COSTA LEITE DE PINHO
Does not hold and has not traded any Banco BPI shares.

At 31 December 2013, Arsopi – Holding, SGPS, S.A., of which he is President of the Board of Directors, owned 2 942 267 Banco BPI shares.

At 31 December 2013 ROE, SGPS, S.A., of which he is President of the Board of Directors, owned 4 442 291 Banco BPI shares.

At 31 December 2013 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
Sold in the stock exchange:

On 18 March:
- 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 19 March:
- 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 20 March:
- 5 090 shares at 1.110 euro per share.

On 25 March:
- 128 179 shares at 1.104 euro per share.

At 31 December 2013 his spouse held 242 000 shares.

At 31 December 2013 Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 28 351 791 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 31 December 2013, Allianz Europe, Ltd. owned 120 553 986 Banco BPI shares.

IGNACIO ALVAREZ RENDUELES
Does not hold and has not traded any Banco BPI shares.

Is Deputy General Director at CaixaBank, S.A.

For further information about the transactions and participation of Caixa Bank, S.A. in Banco BPI's capital, see the information below concerning the member Isidro Fainé Casas.

ISIDRO FAINÉ CASAS
Does not hold and has not traded any Banco BPI shares.

Is President of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has control over CaixaBank, S.A., being also President of CaixaBank, S.A.

At 31 December 2013, 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 21 March 627 542 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

JUAN MARÍA NIN
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 control over CaixaBank, S.A., being also Vice-President and Delegate Adviser of 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 21 March 627 543 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

On 21 March 243 353 purchase options of Banco BPI shares under RVA 2007 held by his spouse were extinguished through expiry.

MARCELINO ARMENTER VIDAL
Does not hold and has not traded any Banco BPI shares.

Is Executive Deputy General Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has control over Caixa Bank, S.A. and also General Director of Criteria CaixaHolding, S.A.U.

For further information about the transactions and participation of Caixa Bank, S.A. in Banco BPI's capital, see the above information concerning the member Isidro Fainé Casas.

MARIA CELESTE HAGATONG
Has not traded any Banco BPI shares.

At 31 December 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 of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. which has full control over it.

At 31 December 2013, Santoro Finance – Prestação de Serviços, S.A. owned 270 643 372 Banco BPI shares.

PEDRO BARRETO
Has not traded any Banco BPI shares.

On 21 March 627 542 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

TOMAZ JERVELL
Has not traded any Banco BPI shares.

At 31 December 2013, Norsócia, SGPS, S.A. of which he is a member of the Board of Directors owned 11 050 105 Banco BPI shares.

ALEXANDRE LUCENA E VALE
Has not traded any Banco BPI shares.

On 21 March 213 818 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

FERNANDO COSTA LIMA
Has not traded any Banco BPI shares.

On 21 March 128 362 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

JOSÉ MIGUEL MORAIS ALVES
Has not traded any Banco BPI shares.

On 21 March 239 608 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

JOÃO PEDRO OLIVEIRA COSTA
Has not traded any Banco BPI shares.

On 21 March 196 821 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

MANUEL MARIA MENESES
Has not traded any Banco BPI shares.

On 21 March 142 268 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

ISABEL CASTELO BRANCO
Sold in the stock exchange on 26 August:

- 1 023 shares at 0.994 euro per share;
- 26 410 shares at 0.991 euro per share.

On 21 March 75 093 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

SUSANA TRIGO CABRAL
Has not traded any Banco BPI shares.

On 21 March 96 272 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

LUÍS RICARDO ARAÚJO
Has not traded any Banco BPI shares.

On 21 March 78 445 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

GRAÇA GRAÇA MOURA
Has not traded any Banco BPI shares.

On 21 March 45 640 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

At 31 December 2013 her husband owned 27 677 Banco BPI shares.

ANA ROSAS OLIVEIRA
Has not traded any Banco BPI shares.

On 21 March 53 485 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

On 21 March 19 256 purchase options of Banco BPI shares held by her husband under RVA 2007 were extinguished through expiry.

On 12 November her husband, as a result of the exercise of options of Banco BPI which had been conferred to him on 28 December 2012 acquired 10 000 shares at the strike price of 0.866 euro fixed at the time of the allocation. On the same date he sold 10 000 BPI shares for 1.161 euro per share.

At 31 December 2013 her husband held 1 839 Banco BPI shares and 7 871 options on BPI shares.

JOÃO AVIDES MOREIRA
Has not traded any Banco BPI shares.

On 21 March 9 457 purchase options of Banco BPI shares under RVA 2007 were extinguished through expiry.

4.52. Subsequent events

On 19 March 2014 the Bank repaid the Portuguese State 500 000 th. euro relating to Contingent Convertible Subordinated Bonds, the nominal amount of which was reduced to 420 000 th. euro.

At its meeting on 30 January the Board of Directors of Banco BPI decided to request that a submission be made to the next Annual General Meeting of Shareholders to be held on 23 April 2014, of a proposal to increase share capital, to be paid up in kind under a voluntary Public Exchange Offer, directed at the holders of the securities listed below, under which the Bank acquires such securities, offering exclusively in return, shares to be issued by Banco BPI.

Description of the securities	ISIN	Maturity	Nominal value of the securities being offered (securities not held by BPI Group entities on 30 Jan. 2014 (euro)	Valuation of securities for exchange purposes
Non- cumulative non-voting guaranteed preference shares Series C issued by BPI Capital Finance, Ltd.	XS0174443449	Perpetual	51 326 000	75% of the nominal value of each security
Dated Subordinated Step-Up Floating Rate Callable Notes due 2017 (Serie 149 of the EMTNP)	PTBPM9OM0001	16 Apr. 2017	6 400 000	95% of the nominal value of each security
Dated Subordinated Step-Up Floating Rate Callable Notes due December 2017 (Serie 193 of the EMTNP)	PTBBRQOM0023	17 Dec. 2017	65 603 000	100% of the nominal value of each security
Participating bonds BFN 1987 – 1st Issue	PTBFNDPE0001	Perpetual	1 921 665	100% of the nominal value of each security
Participating bonds BFN 1987 – 2nd Issue	PTBFNEPE0000	Perpetual	1 750 484	100% of the nominal value of each security

5. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statement from the Board of Directors

DECLARATION REFERRED TO IN ARTICLE 245 (1) C)
OF THE SECURITIES CODE

Article 245 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1]:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2013 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

BOARD OF DIRECTORS

Artur Santos Silva	(Chairman)
Fernando Ulrich	(Deputy-Chairman)
Alfredo Rezende de Almeida	(Member)
António Domingues	(Member)
António Farinha Morais	(Member)
António Lobo Xavier	(Member)
Armando Leite de Pinho	(Member)
Carlos Moreira da Silva	(Member)
Edgar Alves Ferreira	(Member)
Herbert Walter	(Member)
Ignacio-Alvarez Rendueles	(Member)
Isidro Fainé Casas	(Member)
José Pena do Amaral	(Member)
Juan María Nin	(Member)
Klaus Dührkop	(Member)
Manuel Ferreira da Silva	(Member)
Marcelino Armenter Vidal	(Member)
Maria Celeste Hagatong	(Member)
Mário Leite da Silva	(Member)
Pedro Barreto	(Member)
Tomaz Jervell	(Member)

Oporto, 20 March 2014

1) The Supervisory Board members signed statements with the same contents.
Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

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LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – th. euro)

Introduction

1. In compliance with the applicable legislation we hereby present our Legal certification of accounts and audit report on the consolidated financial information contained in the Directors' Report and the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the year ended 31 December 2013, which comprise the Consolidated Balance Sheet as of 31 December 2013 (that reflects total assets of 42 699 750 th. euro and total shareholders' equity of 2 306 330 th. euro, including consolidated net income of 66 839 th. euro), the Consolidated Statements of Income, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash flows for the year then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as endorsed by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários); (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced its activity and the activity of the companies included in the consolidation, their financial position, their income or their comprehensive income.

3. Our responsibility is to examine the consolidated financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. This examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors of the Bank, used in their preparation. This examination also included verifying the consolidation procedures used, application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account, as well as the verifications established in items 4 and 5 of article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and its subsidiaries as of 31 December 2013, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements for 2013 and that the report on corporate governance includes the items required for the Bank in accordance with article 245-A of the Portuguese Securities Market Code.

Oporto, 24 March 2014

Deloitte e Associados, SROC S.A.
Represented by António Marques Dias

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC, S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Report and opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD
2013 CONSOLIDATED ACCOUNTS

The present report on the work carried out by the Supervisory Board during 2013 was prepared with a view to complying with the requirements of article 420(g) of the Commercial Companies Code (CCC).

1. REPORT ON THE SUPERVISORY BOARD'S ACTIVITY RELATING TO THE 2013 FINANCIAL REPORT

During 2013 the Supervisory Board held twelve meetings at which all of its members were present, with the exception of the meeting of 28 February when the member Miguel Artiaga Barbosa was absent due to an impediment at the Ministry of Finance, at the meeting of 23 May when the member José Neves Adelino was absent due to professional reasons, and the meetings of 23 July and 29 October when the member Jorge Figueiredo Dias could not be present due to illness.

Besides these meetings, the Supervisory Board attended the 9 meetings of the Audit and Internal Control Committee held in 2013, which enabled it:

- to analyse all the documentation distributed as support for their respective work;
- to be present to hear the explanations given by the persons responsible for each one of the areas reviewed;
- to put questions and to ask for clarifications concerning any doubts about the documents analysed;
- to monitor directly the evolution of the Bank's operations, paying special attention to compliance with the company's memorandum and articles of association, regulations and legal requirements.

The Supervisory Board was also present at Banco BPI's General Meeting of 14 April 2013, which approved the 2012 accounts, as well as at the Board of Directors' meeting of 30 January 2014, at which the 2013 accounts were approved.

In compliance with the terms of reference legally entrusted to it and which form part of its regulations, it carried out a number of oversight procedures during 2013, of which the following are highlighted:

1.1. Overseeing compliance with legal and regulatory provisions, the statutes and the rules issued by the supervisory authorities, as well as with the general policies, standards and practices instituted internally.

The Board scrutinised the reports on the audits carried out by the Audit and Inspection Division and the reports on the procedural reviews conducted by the external auditor, paying special attention to the anomalies detected and the recommendations presented with a view to overcoming these, as well as to compliance with the deadlines set out in its regulations.

It also monitored the results of the work done by the external auditor in the areas related to compliance with the Group's obligations relating to income tax matters.

It also monitored all the audit work carried out by the Bank of Portugal and by the external auditors indicated by it, as well as the respective progress reports, sent systematically to that Bank.

It also kept itself informed about the activity of the Compliance Division.

1.2. Checking that at Banco BPI and other Group companies subject to supervision on a consolidated basis, there has been adherence to the fundamental objectives laid down in the field of internal control and risk management by the Bank of Portugal and by the Securities Market Commission (CMVM) in the supervision directives applicable to credit institutions and financial companies

The Board paid particular attention to the guidelines issued by the Bank of Portugal, in particular its Notice 5 / 2008, in respect of aspects pertaining to internal control and risk control, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies, including branches and subsidiaries.

The opinions on the Group's, Banco BPI's and all the other group companies' internal control reports were prepared in June and submitted to the Bank of Portugal. It also issued an opinion pursuant to the provisions of Bank of Portugal Notice no. 9 / 2012, on the work undertaken with respect to the oversight of activity aimed at the prevention of money laundering and the financing of terrorism.

1.3. Verifying the appropriateness of and overseeing compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents

Both on a quarterly basis and as regards the consolidated results reported at the end of 2013 by Banco BPI, the Supervisory Board carried out the analysis of the results and the conclusions of the financial statements' audit procedures undertaken by the external auditor, as well as the information provided at the time relating to the accounting policies and practices.

The Supervisory Board accompanied with special attention all the phases relating to the implementation of the recapitalisation plan agreed with the Ministry of Finance, having been regularly informed about the redemption of the Portuguese State's holding of contingent convertible subordinated bonds (Coco).

On the 18th of the current month authorisation was obtained from the Bank of Portugal for a prior request to redeem a further amount of 500 million euro, meaning that this type of debt was reduced to 420 million euro.

1.4. Giving an opinion on the report, accounts and proposals presented by the Board of Directors

The Board considered and issued an opinion on Banco BPI's consolidated and individual accounts and considered the Report of the Board of Directors relating to the 2013 financial year, as well as the Company's Corporate Governance Report.

The Board records the fact that there was a decrease of 249.1 million euro in 2012 in net profit to 66.8 million euro, which can be ascribed to the deteriorating operating conditions.

In terms of article 422(1) of the Companies Code, the Supervisory Board was present at the Board of Directors' meeting of 30 January 2014 which reviewed and approved the 2013 accounts.

1.5. Monitoring the process involving the preparation and dissemination of financial information by the company

To this end, the Board monitored the preparation of the documentation during the course of the year, having met with the Accounting, Planning and Statistics Division on 27 February 2014 in order to obtain more detailed information concerning the preparation and closing of the accounts.

Besides scrutinising the documents relating to the statutory certification of the consolidated and individual accounts, it met regularly with the Portuguese statutory auditors to keep abreast of the work performed by them and to clarify any doubts they may have encountered during their examination.

1.6. Proposing to the General Meeting the appointment of the Portuguese statutory auditors (art. 3(7)(a) of the SBR and art. 420-(2)(b) of the CCC)

Because 2013 corresponds to the last year of the Portuguese statutory auditors' term of office, the Supervisory Board, at its meeting of 9 December 2013 took the decision which is transcribed as follows:

"The Board analysed the need to propose to the General Meeting for appointing the external auditor / ROC for the three-year period 2014 / 2016, bearing in mind that:

a) In April 2011 the Bank reappointed Deloitte & Associados as the BPI Group's external auditor / Portuguese statutory auditor (Portuguese acronym ROC), even though there has been in force (and applicable to BPI) a CMVM recommendation of 2010 advocating the periodic rotation of the EA / ROC.
b) This decision was based on the fact that the country is facing a severe and prolonged economic and financial crisis which dictated the EA's in office have an in-depth and comprehensive knowledge of the respective CI's.
c) In a first phase, the insufficient knowledge of the CI on the part of a new AE / ROC (only rebuttable in a gradual manner over the medium term), naturally contributes to hindering the resolution of shortcomings and weaknesses, thereby giving rise to bigger losses, as well as costs with the hasty development of transitional solutions or mitigation initiatives;
d) The surrounding environment is much more serious today than that observed at the beginning of 2011:
e) The economic and financial crisis became more pronounced in the more economically-developed zones, with a major impact in Europe and, therefore, in Portugal – an economically weak country with a high level of indebtedness (still rising);
f) Specifically as concerns BPI, the following factors are worth underlining:
    i. The strong contraction in economic activity and employment is already reflected very negatively in the banking system, namely as regards the risks, the impairments and losses in the loan portfolios, as well as in the losses both in financial assets and in real estate (its own property and that held as security).
    ii. The duration of the Recapitalisation Contract reinforces even further the need for a profound and always up-to-date knowledge of the Bank's reality on the part of the EA / ROC; only in this manner is it possible carry out an effective monitoring and mitigation of the actual and potential risks, as well as to provide the support which proves to be necessary for attaining the targets that were contracted.
    iii. The fact that, under the economic and financial adjustment programme as a complement to the audits performed by

the Bank of Portugal, the auditors accredited in the market have already audited Banco BPI on a regular basis in the wake of the guidelines issued by the Bank of Portugal, with the consequent validation of the quality of the work realised by the Bank's external auditor.

iv. The promotion of the improved activity in the internal audit, compliance and risk management areas, which have been regularly monitored by the Executive Committee, the Audit and Internal Control Committee and the Supervisory Board.

g) Collaterally, but in harmony with the abovementioned recitals, the EBF, in its Draft of 2013.02.04, advises against the rotation of the EA's / ROC's at CI's, based on logical and good sense reasons, identical to those taken into account by the Bank at the time of the last reappointment of its EA / ROC.

In this context and after considering this matter in liaison with the Board of Directors, it was the Supervisory Board's opinion that it should propose the renewal of the contract with the present EA / ROC – Deloitte & Associados, SROC S.A. for the period 2014 / 2016.

1.7. Presenting to the Board of Directors the proposal relating to the external auditors to be engaged by the company, including not only the proposal concerning who should provide this service, but also the proposal relating to their fees (art. 3(8)(a) of the SBR and Point II.4.4 of the CMVM's Recommendations on the Corporate Governance Code)
Because 2013 corresponds to the end of the Portuguese Statutory auditors' term of office, the Supervisory Board took the decision to propose their reappointment for the reasons which are referred to in the preceding point.

1.8. Overseeing the independence of the Portuguese statutory auditors and in this context to consider and decide, after having heard the Audit and Internal Control Committee, on the provision by the Portuguese statutory auditors of additional services to the company and its group companies, as well as on the respective conditions
In terms of article 420-(2)(d) of the Commercial Companies Code, the Supervisory Board supervised and evaluated the work and independence of Banco BPI's Portuguese statutory auditors (Deloitte & Associados, S.R.O.C.).

It approved the proposals for the performance of the audits and the annual plan for procedural reviews.

It approved the fees relating to the "Statutory Audit" and "Other Assurance Services" for all the Group entities and, through specific opinions, the contracting of additional services, controlling the proportion of the fees charged referring to "Tax consultancy services" and "Other non-statutory audit services" relative to the total fees contracted.

During 2013 the following fees payable to Deloitte for services rendered were adjudicated for the Group as a whole:

▪ Statutory audit	1 329 286.00 euro
▪ Other assurance services	1 076 850.00 euro
▪ Tax advisory services	284 020.00 euro
▪ Other non audit-related services	449 643.00 euro

The above figures correspond to the provision of services adjudicated in 2013 irrespective of having been actually rendered and invoiced, a situation that is referred to in the Board of Directors' Report.

The tax advisory and other non audit-related services, which include the support given to Banco de Fomento Angola, as well as in the preparation of the candidatures for the Tax Incentives System in R&D Empresarial II (SIFIDE 11) programme correspond to 23.7% of Deloitte's total fees adjudicated in 2013, with the portion relating to Banco BPI and its subsidiaries being 12.99% (respectively 7.9% and 11.41% in 2012).

1.9. Approving, after having heard the Audit and Internal Control Committee, the External Auditors' annual work plan (art. 3(8)(e) of the SBR)
The external auditors' work plan for 2013 was reviewed at the Audit and Internal Control Committee's meeting held on 14 March 2013, after having obtained the opinion of the Audit and Internal Control Committee.

1.10. Monitoring the inspections of the Bank of Portugal, the CMVM, the Instituto de Seguros de Portugal, the Directorate-General for Taxes and the Inspectorate-General of Finance carried out at Banco BPI and other group companies subject to supervision on a consolidated basis
The Board gathered information throughout the year on the Bank of Portugal's supervisory work, namely through its own inspection services or that of the external auditors designated by it, as well as of the other supervision authorities and the Inspectorate-General of Finance relating to all the Group companies subject to supervision on a consolidated basis, having paid special attention to the reports on the audits conducted by the Bank of Portugal.

The Supervisory Board, as already referred to, has accompanied the entire process of the Bank's recapitalisation.

1.11. Appraising the operational procedures, with the object of certifying that there is an effective management of the respective activities through the proper management of risks and of complete, reliable and timely financial and accounting information, as well as of an adequate monitoring system

The Supervisory Board gave special attention to the guidelines laid down by the Bank of Portugal, namely in its Notice 5 / 2008, complemented by the document "EBA Guidelines on Internal Governance" relating to aspects involving the risk control and operational control systems, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies, including the branches and subsidiaries.

Also bearing in mind Notice no. 9 / 2012, it issued an opinion on the activity relating to the oversight of the work covering the prevention of money laundering and the financing of terrorism.

The analysis was conducted based essentially on the findings of the audit examinations performed by the Audit and Inspection Division and by the Bank of Portugal's permanent inspection team, as well as the procedural reviews conducted by the external auditors, and on the activity reports of the Audit, Operational Risk Management, Compliance and Risk Control functions.

This information was complemented by the clarifications and information provided by the Divisions and Managements responsible, not only during the meetings of the Audit and Internal Control Committee but also the meetings of the Supervisory Board at which the presence of the persons in charge of the Bank's units was solicited. Special mention is made of the meetings with the Accounting, Planning and Statistics Division and with the Portuguese statutory auditors, at which the 2013 accounts were analysed.

1.11.1. Operational risk

Besides the information received via the audits and the annual report prepared by the area which controls Operational Risk, the Supervisory Board received information and all the documentation dealt with at the six meetings of the Operational Risk Control Committee, having had access to the portal where all the information relating to operational risk and to the meetings of the Operational Risk Committee is available.

1.11.2. Credit Risk

The Supervisory Board monitored the analysis carried out systematically to the trend in customers' liabilities undertaken at the meetings of the Financial Risks Committee, which included:

- review of customers with credit risk exposures of more than 75 million euro;
- the biggest individual and group impairments, with exposures in excess of 25 million euro;
- Customer defaults in excess of 100 thousand euro with exposure of more than 500 thousand euro;
- the reports presented by the external auditors on the quantification of adequate economic provisions *vis-à-vis* the risk implicit in the loan portfolios.

Business dealings between the company and shareholders with qualified holdings, or with entities with whom they have any of the relationships envisaged in terms of article 20 of the Securities Market Code, are always submitted for prior pronouncement by the Supervisory Board, irrespective of the amount involved.

During 2013 the Supervisory Board was called upon to issue six prior opinions relating to exposure-limit operations or review, under normal market conditions, involving shareholders with qualified holdings.

The Supervisory Board issued thirty six prior opinions pursuant to article 85(8) of the General Regime for Credit Institutions and financial Companies, on operations or credit limit reviews to entities at which members of the Bank's management or supervisory bodies are managers or in which they have qualified holdings.

1.11.3. Financial risks

The Supervisory Board continued to devote special attention to accompanying the evolution of the financial markets' crisis, with the aim of evaluating the strategy and initiatives followed in order to monitor the exposure to both higher-risk products and markets.

As regards the matters dealt with at the meetings of the Financial Risks Committee, it is worth mentioning the following:

- the Supervisory Board had access to the minutes of all the meetings of the Financial Risks Committee;
- the State's representative member of the Supervisory Board systematically participated at that committee's meetings;
- other members of the Supervisory Board participated at the meetings whenever bearing in mind the matters to be dealt with, these were considered to be of interest.

1.11.4. Reputational risk
Updated information about BPI's Service Quality Indices (SQI), in which the European customer satisfaction index was used as the benchmark, was analysed, as were the service-quality indices relating to the competition and the Bank's quality index.

The Supervisory Board analysed the report on the Investor Relations Division's work dealing with the performance of its functions of disseminating financial information and interacting with investors, analysts and other market players.

The monitoring reports issued by the rating agencies were also the object of review.

It also reviewed and followed up all Irregularity Communications, i.e. meaning the facts which seriously violate or compromise:

a) Compliance with the legal, regulatory, ethical and deontological principles to which the Members of the Governing Bodies and the Employees of the companies forming part of the BPI Group are bound;
b) The preservation of Customers', Shareholders' and BPI's own assets;
c) The preservation of BPI's institutional image and reputation, as well as those situations capable of constituting abuse of authority or bad management.

During the year ten communications were received, of which two had not yet been finalised.

Of the Irregularity Communications closed:

- in one of the cases the customer was found to be fully justified, with the Bank having to bear all the costs;
- in another case, the customer was found to be partially justified, with the Bank having to consider the eventual cost to the Bank in terms of its image in the eyes of that Customer;
- in two cases the Customer was found to have no basis for the communication, with the Bank having to consider the eventual cost to the Bank in terms of the Customer's opinion of the Bank;
- in three cases the Customers were found to have no grounds for their complaints, there being no loss for the Bank;
- in another case, the Customer's complaint was unfounded, although the Bank decided to bear all the costs.

1.11.5. Compliance risk
The Board monitored the Compliance Division's activity, namely with respect to the control over money laundering and terrorist financing activities, as well as the relationship with the authorities charged with overseeing this matter.

Besides the sporadic monitoring of this Division's activity, the Supervisory Board also reviewed the following documents:

- This Division's activity report with reference to March 2013;
- Report corresponding to the status of the Compliance function as at 31 May 2013, as laid down in article 17(1)(f) of Bank of Portugal Notice no. 5 / 2008, published on 1 July and article 305-A(2)(f) of the Securities Code;
- Report on the prevention of money laundering and the financing of terrorism in terms of Bank of Portugal notice 9 / 2012.

1.11.6. Monitoring audit work
As regards the monitoring of the audit areas, both internal and external, special mention is made of the Supervisory Board's participation:

- in the drafting of the report on and accompanying the quarterly Internal Audit work plans;
- in the approval and monitoring of the external auditor's annual procedural review plans, assessing the extent thereof, bearing in mind the coverage of the areas exposed to the greatest potential risk;
- in the appraisal of the findings of the audits realised, both internal and external, and keeping abreast of the recommendations considered important, as well as the degree of their compliance and the time frames for their implementation;
- in the analysis of the coverage schedules of the audits carried out in the past 3 years;
- in the half-yearly review of the events giving rise to losses;
- in the review of the activity report drawn up to June 2013.

The Supervisory Board was regularly informed about the communications sent to the Bank of Portugal relating to keeping track of the recommendations made within the ambit of the Special Inspections Programme carried out by the Bank of Portugal's permanent inspection team, as well as the respective implementation timetables.

1.11.7. Report to the Bank of Portugal – Notice no. 5 / 2008
The Supervisory Board issued opinions which it submitted to the Bank of Portugal, in terms of Notice 5 / 2008, on the effectiveness and coherence of Banco BPI's and the BPI Group's internal control and risk management systems.

To this end:

- it considered the annual internal control reports prepared by the Boards of Directors of all the Group companies subject to Bank of Portugal supervision;
- it analysed the opinions of the respective Portuguese statutory auditors on the internal control system underlying the preparation and dissemination of financial information;
- it reviewed the reports prepared by the Audit and Inspection Division; External Auditor; the Risk Analysis and Control Division, the Compliance Division and the Organisation Division – Operational Risk.

1.11.8. Report to the Bank of Portugal – Notice no. 9 / 2012
The Supervisory Board issued a report which it sent to the Bank of Portugal in June 2013, on its activity relating to the supervision of the work aimed at the prevention of money laundering and the financing of terrorism, covering the period September 2012 to May 2013.

1.12. Giving an opinion on the report, accounts and proposals presented by the Board of Directors
In terms of article 420(g) of the Commercial Companies Code, the Supervisory Board, besides the meetings for conducting the detailed analysis of the accounts with:

- the managers of the Accounting, Planning and Statistics Division;
- the Portuguese statutory auditors.

examined:
- the balance sheet at 31 December 2013, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity, and the respective notes thereto;
- the Directors' report prepared by the Board of Directors for the 2013 financial year;
- the report on the Audit and Internal Control Committee's activity;
- the statutory audit certification and the audit report prepared by the Portuguese statutory auditors, with which it concurred.

During the year, the Supervisory Board discussed a number of issues relating to the Bank's compliance with corporate governance recommendations.

In analysing the report on the corporate governance structure and practices, it was noted that the matters referred to in article 245-A of the SMC (Articles 420(5), 423-F / 2, 441 / 2 and 451 / 4 and 5 of the CCC) were dealt with and that this corresponds to the practices that it monitored during the course of the year.

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2013 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

2. SUPERVISORY BOARD'S OPINION

In view of the foregoing, the Supervisory Board is of the opinion that the consolidated financial statements and the Directors' Report, as well as the proposal contained in it, are in conformity with applicable accounting, legal and statutory requirements, as a result of which it recommends that they be approved at the Shareholders General Meeting.

Oporto, 24 March 2014

Abel Pinto dos Reis – Chairman

Jorge Figueiredo Dias – Member

José Neves Adelino – Member

Miguel Artiaga Barbosa – Member representing the State

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BPI Group
Corporate Governance Report

This report – which constitutes an integral part of Banco BPI's 2013 Annual Report – aims to divulge the structure and corporate governance practices adopted by BPI as well as BPI's judgment regarding compliance with the recommendations set out in the Corporate Governance Code, in the version published by the Securities Commission ("CMVM") in July 2013. This report was elaborated in accordance with Articles 7. º and 245-A of the Portuguese Securities Code and the model annexed to Regulation no. 4 / 2013.

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Part I – Information on Shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure

At 31 December 2013 Banco BPI's share capital stood at 1 190 M.€, represented by 1 390 million ordinary, nominative and dematerialised shares, with no par value. All the shares were admitted for dealing on the Euronext market.

On the same date – 31 December 2013 – Banco BPI's shares were held by 19 585 Shareholders. Of these, 19 133 were individuals holding 11% of the capital, while 452 were institutional investors and companies who collectively held the remaining 89% of the capital.

2. Restrictions on the transfer of shares

The Company's Statues do not contain any restrictions on the transfer of shares, such as consent clauses for the sale or limitations to the ownership of shares.

3. Own shares

At 31 December 2013 the BPI Group held 6 117 252 own shares corresponding to 0.44% of Banco BPI's share capital and voting rights[1].

4. Important agreements in cases such as a change in the control of the company

There are no significant accords of which BPI forms part and which enter into effect, are altered or cease in the event there is a change in the control of the company.

5. System that is subject to a change of the statutory provision that limits the number of votes cast by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The change to this statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM).

Banco BPI's statutes do not incorporate the measures as regards the maintenance of those limits being the object of periodic reappraisal in General Meeting (contrary to what is contemplated in Recommendation I.4 of the CMVM's Corporate Governance Code), which is explained by:

- on the one hand, it is always possible for Shareholders who wish to alter or suppress the aforesaid statutory rule to propose at any moment and after observing the requisites for this purpose envisaged in the law, to submit to the General Meeting a proposal advocating such alteration or suppression;
- on the other hand, because it is considered to be a rule which constitutes a very important option in the company's affairs, its modification should only take place when there is a will that (i) is unequivocal and backed by a large majority in this regard and (ii) results from a balanced participation of the various shareholders, desirous that these are not considered attainable if it is accepted that this modification may be approved by resolution passed by a simple majority and without the voting limit functioning.

6. Shareholders' agreements

The Bank is not aware of any shareholder agreement relating to the exercise of company rights or to the transfer of Banco BPI shares.

II. SHAREHOLDINGS AND BONDS HELD

7. Holders of qualifying shareholdings

Shareholders owning more than 2% of Banco BPI's capital[2,3] At 31 December 2013

Shareholders	No. of shares held	% of capital held
La Caixa Group	642 462 536	46.22%[2,4]
Santoro	270 643 372	19.47%[5]
Allianz Group	122 744 370	8.83%[6]
HVF SGPS, S.A.	28 854 874	2.08%[7]

Note: Shareholder positions recorded at 31 December 2013 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários.

There are no special rights attributed by the Statutes to shareholders, with the result that there are no shareholders with special rights.

1) The balance of own shares at the end of December 2013 does not include 36 865 shares awarded subject to a condition subsequent under the RVA programme but not yet freely disposable. The transfer of the shares awarded under the RVA programme is fully effected on the award date, but availability (vesting) is dependent on the Employee remaining at the BPI Group, so that for accounting purposes, the shares remain in Banco BPI's own portfolio until the vesting (disposable) date.
2) According to a statutory provision, for counting purposes the voting rights are limited to 20%.
3) At 31 December 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 31 901 087 shares representing 2.3% 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 the Securities Code.
4) Through Caixabank, S.A., which is 64.4% held by the parent company of the La Caixa Group, Caixa d'Estalvis i Pensions de Barcelona ("La Caixa"), the entity to which the aforesaid holding in Banco BPI is imputed, in terms of article 20(1)(d) of the SC.
5) Directly held by Santoro Finance – Prestação de Serviços, S.A. ("Santoro Finance"), and imputable, in terms of article 20(1)(d) of the SC, to Santoro Financial Holdings, SGPS ("Santoro"), as owner of the entire capital of Santoro Finance, and to Eng. Isabel José dos Santos, in her capacity as controlling shareholder of Santoro Financial Holdings, SGPS.
6) Through the subsidiaries controlled by Allianz SE and imputable, in terms of article 20(1)(d) of the SC; 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).
7) 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)(a) 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.

8. Number of shares and bonds held by members of the management and supervisory boards

Held at 31 Dec. 13	Shares	Options on BPI shares	Bonds	
	Quantity	Quantity	Quantity	Nominal value (€)
Board of Directors				
Artur Santos Silva	500 000	0	0	
Fernando Ulrich[1]	2 092 180	0	0	
Alfredo Rezende de Almeida	2 250 000	0	310	1000
António Domingues[1]	56 042	0	0	
António Farinha Morais[1]	450 000	308 707	3	50 000
António Lobo Xavier	0	0	0	
Armando Leite de Pinho	0	0	0	
Carlos Moreira da Silva	66 333	0	0	
Edgar Alves Ferreira	503 083	0	350	1000
Herbert Walter	0	0	0	
Ignacio Alvarez-Rendueles	0	0	0	
Isidro Fainé Casas	0	0	0	
José Pena do Amaral[1]	72 682	132 231	0	
Juan María Nin	0	0	0	
Klaus Dührkop	0	0	0	
Manuel Ferreira da Silva[1]	850 000	286 586	0	
Marcelino Armenter Vidal	0	0	0	
Maria Celeste Hagatong[1]	885 151	0	0	
Mário Leite da Silva	0	0	0	
Pedro Barreto[1]	473 999	488 541	0	
Tomaz Jervell	15 680	0	0	
Supervisory Board				
Abel Pinto dos Reis	0	0	0	
Jorge Figueiredo Dias	0	0	0	
José Neves Adelino	0	0	0	
Miguel Artiaga Barbosa	0	0	0	

1) Executive Committee member.

In the note 4.51 to the consolidated financial statements – Related parties – information is provided concerning the shares held individually by the members of Management, with mention of the events occurring during the year.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase

In terms of the wording of article 4(2) of the Statutes approved at the Shareholders General Meeting of 27 June 2012, the following authorisation to the Board of Directors was approved:

"*2) The Board of Directors is authorised to deliberate one or several capital increases subject to the following terms and conditions:*

a) The authorisation encompasses the deliberation of one or several capital increases through fresh cash contributions and through the issue of shares belonging to the category already in existence;

b) The value of each capital increase that the Board of Directors is authorised to deliberate pursuant to the present provision shall correspond, in each case, only to the amount of the remuneration of the contingently convertible subordinated bonds which are issued by the company and subscribed for by the State pursuant to Law no. 63-A / 2008, of 24 3 / 11 November, and which the company cannot pay unless in terms of the "Alternative Mechanism for the Remuneration Payment" envisaged in the terms and conditions of the issue of such bonds;

c) The capital increase shall have as the sole subscriber the State, in its capacity as subscriber of the aforesaid bonds;

d) The issue value of the shares to be issued shall be fixed by the Board of Directors in conformity with the terms and *conditions of the issue of the said bonds;*

e) The deliberation of the company increase requires the favourable opinion of the company's supervisory body;

f) The authorisation is valid for a period of five years;

g) The State's obligation to make the corresponding contribution corresponding to the shares subscribed for by it in each of the increases deliberated in terms of the preceding sub-paragraphs can be fulfilled by set-off in kind of the payment of the State's debt corresponding to the coupon on the bonds, with such debt set-off in kind taking place in compliance with the provisions of the law relating to capital contributions in specie."

At the present date, BPI has not realised any capital increase pursuant to the aforementioned authorisation.

10. Information on any significant business relationships between the holders of qualifying holdings and the company

Any transaction of business between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the SMC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof.

During 2013 the Supervisory Board was called upon – in terms of article 109(3) of the General Regime for Credit Institutions and Financial Companies – to issue six prior opinions on operations with or the review of exposure limits under normal market conditions of shareholders with qualified holdings.

Similarly, the Supervisory Board issued thirty six prior opinions in terms of article 85(8) of the General Regime for Credit Institutions and Financial Companies on operations or the review of credit limits involving companies in which the members of the management or supervisory body were managers or in which they held qualified holdings.

There were no business dealings or operations in 2013 between Banco BPI on the one hand, and the members of its Board of Directors, its Supervisory Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

However, it is important to disclose the following business relations existing between BPI and some of the holders of qualified shareholdings.

Namely:

Allianz Group

BPI is in partnership[1] with the Allianz Group in the life assurance and life risk business, materialised in a 35% interest in Allianz Portugal[2] and in an agreement for the distribution of insurance through its commercial network.

The Allianz Group owns a 8.8% shareholding in Banco BPI at 31 December 2013.

La Caixa

BPI has a partnership with La Caixa reflected in the offer of products and services aimed at supporting companies operating in the Iberian Peninsula, allowing them to conduct international financial operations under the conditions equal to those performed in their home markets.

Arsopi[3]

BPI has a partnership with the Arsopi, evidenced by:

- a 14%[4] shareholding in a holding company called Viacer;
- a direct and indirect shareholding (via Viacer) of 13.5%[5] and 9.5%, respectively, totalling 23.02% in the holding company called Petrocer (at the moment is deactivated).

Viacer's most significant assets are a 56% shareholding in Unicer – one of the country's biggest drinks manufacturers and distributors.

1) From which revenue is derived in the form of a share in the profits (from the shareholding) and commissions (for the selling of insurance at the bank's network).
2) Consolidated participation in Banco BPI's accounts using the equity method.
3) The firm Arsopi does not have a qualified holding in terms of article 20 of the Securities Code, as explained in note 3 of page 267.
4) The Arsopi Group has a shareholding of 28%.
5) The Arsopi Group owns a direct holding of 5.0% and an indirect holding – via Viacer – of 19.0%.

GOVERNANCE MODEL

BPI's governance model is structured according to one of the three models contemplated in the Commercial Companies Code – commonly referred to as the Latin model.

The company's management is entrusted to the Board of Directors which includes an Executive Committee – formed by professionals independent from any shareholders' or specific interests – to which the Board has delegated wide management powers for conducting the day-to-day activity.

Four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members: (i) The Audit and Internal Control Committee (Comissão de Auditoria e Controlo Interno – CACI), which works in close proximity to the Executive Committee; (ii) the Financial Risks Committee (Comissão de Riscos Financeiros – CRF), which is responsible, without prejudice to the duties in this domain vested in the Supervisory Board, for following closely the management policy covering all financial risks, including credit risks, arising from the Bank's operations, as well as monitoring the management of the Bank's pension fund; (iii) the Corporate Governance Committee (Comissão de Governo da Sociedade – CGS), which is charged with supporting and advising the Board of Directors on streamlining the governance and oversight model and pronouncing itself on matters pertaining to social responsibility, ethics, professional deontology and protecting the environment and (iv) the Nominations, Evaluation and Remuneration Committee (Comissão de Nomeações, Avaliação e Remunerações – CNAR), whose duties are to give opinions on the filling of vacancies occurring on the governing bodies and on the choice of Directors to be appointed to the Executive Committee, and to exercise the functions which on the subject of remuneration policy are envisaged in article 7 of Bank of Portugal Notice 10 / 2011.

The oversight functions are attributed to the Supervisory Board – whose key terms of reference include, overseeing management, supervising compliance with the Law and the company's Statutes, verifying the accounts, supervising the independence of the Portuguese Statutory Auditor and the external auditor, as well as evaluating the last-mentioned's work – and to the Portuguese Statutory Auditor (ROC), whose prime function is to examine and then certify the accounts.

The General Meeting, composed by all Shareholders, deliberates on the issues which are specifically attributed to it by the law or by the Statutes – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.

The Remuneration Committee (Comissão de Remunerações – CR), composed of three shareholders, is elected by the General Meeting. The Committee sets the remuneration of the holders of positions on Banco BPI's governing bodies, based on the opinion of the CNAR, and must observe, as regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, the limits laid down by the General Meeting.

The Company Secretary is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed by the Bank.

At 31 December 2013

Remuneration Committee

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

General Meeting Committee

Chairman
Miguel Luís Kolback da Veiga

Deputy-Chairman
Manuel Cavaleiro Brandão

Secretaries
Alexandra Magalhães
Luís Manuel Amorim

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

Nominations, Evaluation and Remuneration Committee

Chairman
Marcelino Armenter Vidal

Members
António Lobo Xavier
Carlos Moreira da Silva

Board of Directors

Chairman
Artur Santos Silva

Deputy-Chairman
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 María Nin
Klaus Dührkop
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Tomaz Jervell

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

Corporate Governance Committee

Chairman
Artur Santos Silva

Members
Armando Leite de Pinho
Klaus Dührkop
Herbert Walter
Tomaz Jervell

Company Secretary

Member in office
João Avides Moreira

Alternate
Fernando Leite da Silva

Financial Risks Commission

Chairman
Artur Santos Silva

Members
Marcelino Armenter Vidal

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

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 (in the wording prior to the amendment made by Law 1 / 2014 of 16 January) 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.

I. GENERAL MEETING

The General Meeting (GM) is the governing body composed of all Banco BPI's shareholders.

GENERAL MEETING'S PRINCIPAL TERMS OF REFERENCE

- Election of members of the Board of Directors, the Supervisory Board, the Remuneration Committee and Chairman, Deputy-Chairman and Secretaries of the General Meeting Committee, as well as the election of the Portuguese Statutory Auditor.
- Consideration of the Board of Directors' annual report, discussion and voting on the consolidated and individual accounts, as well as on the Portuguese Statutory Auditor's opinion.
- Evaluation of the Board of Directors' and the Portuguese Statutory Auditor's performance.
- Deliberation on the appropriation of the annual results.
- Definition of a maximum limit for the annual fixed remuneration of the members of the Board of Directors and of the maximum percentage of consolidated profit which, not exceeding 5%, the variable remuneration of the members of the Executive Committee may represent each year.
- Review of the strategic orientation and policies adopted.
- Deliberation on a long-term dividend policy proposed by the Board of Directors.
- Deliberate on the acquisition and sale of treasury stock.
- Deliberation on the capital increases and the issue of bonds convertible into shares or that confer the right to subscribe for shares.
- Deliberation on changes to the statutes.

Representative of the external auditor

The external auditor, through the partner responsible for the audit of Banco BPI's consolidated financial statements, is present at the Annual General Meetings, and is available to clarify any query related to the opinions issued on Banco BPI's individual or consolidated accounts.

Representative of the Remuneration Committee

The presence of at least one member of the Remuneration Committee at the General Meetings is always assured.

Functioning rules

According to the law, the Annual General Meeting must meet by the end of May[1]. In addition, the Committee Chairman must convene extraordinarily the General Meeting whenever this is requested by the Board of Directors, the Supervisory Board or by shareholders owning shares corresponding to the minimum number by imperative law and who so request by means of a signed written document which indicates in precise terms the matters that should appear on the agenda and which justify the need for the General Meeting, and must be accompanied by the relevant draft resolutions.

Constituent Quorum and required majority

The General Meeting can deliberate at its first convocation irrespective of the number of shareholders present or represented, except if it deliberates on altering the Bank's statutes, merger, demerger, and transformation, dissolution of the Company or other matters for which the law requires a qualified majority without specifying it. In these cases, it is necessary that shareholders who own at least shares corresponding to a third of the share capital must be present or represented.

At the second convocation, the Meeting can deliberate irrespective of the number of Shareholders present or represented and the capital represented by them.

In terms of article 386 of the Commercial Companies Code (CCC), the General Meeting deliberates by a majority of the votes cast irrespective of the percentage share capital represented thereat, with abstentions not being counted. The law and the statutes can however require a qualified majority should this be the case:

a) of the resolutions relating to the matters for which the law prescribes a constitutive quorum of one third of the share capital, which in terms of article 386(3) of the CCC, have to be approved by two thirds of the votes cast;
b) of the resolutions amending the Statutes relating to the limitation of the voting rights cast by one only shareholder (article 12(4) and (5) and article 30(2)) and of the resolution concerning the company's dissolution, in respect of which the Bank's statutes require the approval by 75% of the votes cast.

Right to information

During the course of General Meetings, any Shareholder can request that information be supplied so that he / she can form a substantiated opinion about the matters being deliberated.

1) In terms of article 376(1) of the Commercial Companies Code, the Shareholders General Meeting must meet within three months after the close of the financial year, or within five months in the case of companies required to present consolidated accounts or which apply the equity accounting method.

11. Shareholders' General Meeting

The composition of the General Meeting Committee appears in the organisation chart "Governing bodies and Committees" (page 270 of the present report).

The members of the General Meeting Committee were elected at the General Meeting of 27 April 2011 for a term of three years which ends on 31 December 2013.

12. Attribution of the right to vote

A shareholder is entitled to vote if he / she / it owns at least one Banco BPI share on the fifth trading day prior to the holding of the General Meeting (registration date), in accordance with the principle of "one share / one vote".

Procedures relating to representation

BPI adopts at its own initiative the policy of sending to Shareholders[1] the meeting notices, as well as the specific proxy forms, accompanied by a self-addressed stamped envelope.

The proxies are communicated by a signed written document addressed to the Chairman of the General Meeting Committee, at the latest by the end of the day prior to the above-mentioned registration date.

Procedures relating to postal voting

Postal voting is envisaged in the statutes. BPI sends as an annex to the General Meeting notice, self-addressed ballot papers to the Chairman of the General Meeting, by means of which the Shareholder can clearly cast his / her / its vote.

The ballot paper must be signed and the authentication of the signature (by a notary, lawyer or solicitor) must be recorded on it. The ballot papers must be received at Banco BPI's head Office by 6.00 pm of the third business day before the date scheduled for the General Meeting. The description of the manner how the scrutiny of postal votes takes place in General Meeting appears in the notice of meeting.

The confidentiality of the postal votes is assured by the Bank up till the moment of the opening of the respective ballot papers by the Chairman of the General Meeting Committee. On this date, the safeguarding of such confidentiality is now guaranteed by the Chairman of the General Meeting Committee up until the moment of voting.

The Chairman of the General Meeting is responsible for checking the authenticity of the voting papers, as well as the conformity with the rules and the absence of vote duplication stemming from the presence at the General Meeting of the shareholders whose vote arrived by post. The postal vote is deemed to be revoked in the case of the presence of the Shareholder or the respective proxy at the General Meeting.

The Chairman of the General Meeting Committee informs those present of the number and the results of the postal votes received.

Procedures relating to voting by electronic means

BPI offers its Shareholders the possibility of casting votes by means of electronic mail. The procedures required for voting by electronic mail are in part similar to those required for postal voting: BPI sends beforehand to its Shareholders, as an annex to the General Meeting preparatory documents, a draft – available in Portuguese and English – that allows them to opt for the system of electronic voting. This draft can also be obtained from the web site www.ir.bpi.pt or upon request to the Investor Relations Division. The draft must be signed and the signature must be authenticated by a notary, lawyer or legal clerk.

In the draft, which must be addressed to the Bank, the Shareholder is asked, amongst other details, to provide a password and indicate the email address. BPI sends the Shareholder an email indicating his counter password which, jointly with the initial password, will give him access to an electronic ballot paper on a page at the site www.ir.bpi.pt. The Shareholder can exercise his voting right until 6 p.m. of the third business day before that set for the Meeting.

13. Maximum percentage of voting rights that may be exercised by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The principal limiting the number of votes cast by a sole shareholder was proposed by the General Board with the object of promoting a framework conducive to a balanced participation of the principal shareholders in the company's affairs, from the standpoint of Shareholders' long-term interests. In its initial formulation, which was approved by the Shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, a limit was set of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to 17.5%, by way of a resolution approved by a majority of 77.4% of the votes cast and was finally increased to the current 20% by unanimous voting at the GM of 22 April 2009.

1) Shareholders holding more than a specified number of shares (5 000, at the last GM's held).

14. Shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority

According to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a shareholder and entities related to him / her), to number one of article thirty one (provision which fixes a special qualified majority for the company's winding up), as well to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast).

It will be recalled in this regard and in the first place, that the aforesaid rule laid down in the Commercial Companies Code is mandatory only as regards the minimum limit. That is, companies are free to set in their statutes higher qualified majorities.

In second place, Banco BPI is of the opinion that there exists justification for the alteration to the statutory rules in question to be subject to a more demanding qualified majority than the qualified majority envisaged in the law. This justification stems from the conjugation of the following two aspects:

- the statutory rules in question (remember, rules governing the limitation on voting and the company's winding up) refer and represent options relating to highly important aspects relating to the company's affairs; in the first case, with a solution which seeks to promote a balanced participation of the shareholders in the company's affairs; in the second case, what is at stake is the company's own subsistence;

- in the case of statutory rules which take the form of very important options for the company's affairs, their alteration should only take place when there is an unequivocal and large majority will in this regard; it is deemed for this purpose that it is appropriate to set the aforementioned seventy five per cent majority of the votes cast.

Finally, it will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital.

II. MANAGEMENT AND SUPERVISION

15. Details of corporate governance model adopted

The governance model adopted by BPI is contemplated in the Commercial Companies Code and is commonly referred to as the Latin Model, which is presented in great detail on page 270 ("B. Governing Bodies and Committees").

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors

The Statutes do not contain any rules governing procedural or material requirements related to the appointment or replacement of members of the Board of Directors.

However article 29(3) of the Statutes contains a limitation applicable to the appointment of Board of Director members forming part of the Executive Committee and which prescribes that *"Any member of the Board of Directors aged 62 or more at 31 December of the preceding year cannot be appointed to the Executive Committee."*

Requirements of integrity, professional experience and availability

In accordance with the General Regime for Credit Institutions and Financial Companies (RGICSF), for a specific person to be eligible for a director's or oversight position at a credit institution or financial company, it is imperative that he / she meets a number of requirements and does not fall under any of disqualification situations contemplated therein. The evaluation process is the responsibility of the Bank of Portugal, which for this purpose can exchange information with the Instituto de Seguros de Portugal, with the Comissão do Mercado de Valores Mobiliários, as well as with foreign supervisory authorities, taking into consideration three aspects: the integrity of the person concerned, their professional experience and their availability to fill the position.

17. Composition of the Board of Directors

The composition of the Board of Directors and of its consultative committees is presented in the organisation chart "Governing bodies and Committees" (page 270 of the present report). As concerns the date of the 1st appointment and term of office, one must consult the annex, page 329).

In terms of article 15 of the Statutes *"The Board of Directors is composed of a minimum number of eleven and a maximum number of twenty five members, elected by the General Meeting, who shall nominate the chairman from amongst their number and, if deemed necessary, one or more deputy chairmen."*

Still according to article 29 of the Statutes: *"The members of the governing bodies are elected for terms of three years, while re-election is always permitted, with the exception of the members of the Supervisory Board who can only be re-elected for two more consecutive terms of office."*

18. Independence of the Board of Directors members

The organisation chart "Governing bodies and Committees" (page 270) presents the composition of the Board of Directors, indicating its members who make up the Executive Committee.

Non-executive members of Banco BPI's Board of Directors

At 31 December 2013

	Board of Directors consultative committees				Independence basis
	Audit and Internal Control Committee	**Financial Risks Committee**	**Corporate Governance Committee**	**Nominations, Evaluation and Remuneration Committee**	
Chairman					
Artur Santos Silva		Chairman	Chairman		Independent
Members					
Alfredo Rezende de Almeida	Member				Independent
António Lobo Xavier				Member	Independent
Armando Leite de Pinho			Member		Independent
Carlos Moreira da Silva				Member	Independent
Edgar Alves Ferreira	Member				Independent
Herbert Walter			Member		✓
Ignacio Alvarez-Rendueles	Member				✓
Isidro Fainé Casas					✓
Juan María Nin					✓
Klaus Dührkop			Member		✓
Marcelino Armenter Vidal		Member		Chairman	✓
Mário Leite da Silva	Member				✓
Tomaz Jervell			Member		Independent

Note: In terms of recommendation II.1.7 of the Corporate Governance Code disclosed by the CMVM, a member of the Board of Director is deemed to be Independent when he / she is not associated with any specific interest group in the company and is not in any situation that is capable of affecting his / her impartial analysis or decision, namely by virtue of:

a) Having been an Employee of the company or of a company controlled by it or with which there has been a group relationship in the preceding three years;

b) Having, in the preceding three years, rendered services or established a significant commercial relationship with the company or a company controlled by it or with which there has been a group relationship, whether directly or as member, administrator, director or officer of a corporate entity;

c) Being a beneficiary of remuneration paid by the company or by a company controlled by it or with which there has been a group relationship, besides the remuneration derived from the exercise of directorship functions;

d) Living under a common law union or being the spouse, relative or direct relative up to the 3rd degree of lineage, inclusive, of directors or natural persons who are the direct or indirect holders of a qualified holding;

e) Being the holder of a qualified holding or the representative of a shareholder with a qualified holding;

✓ The director concerned is not the holder of a qualified holding of 2% or more of the company's capital; the director concerned occupies a management position (s) in an entity(ies) holding a qualified holding of 2% or more of Banco BPI's capital or in its group entity(ies), a fact which in the opinion of the Board of Directors does not mean, nor does it have as a consequence, that the aforesaid director must be deemed to be a person who is acting in the name or on behalf of the abovementioned entity(ies); if however the broad meaning of the phrase "representative of a shareholder with a qualified holding" is construed so that such action is deemed to exist by virtue of the simple fact that he is an executive of the said entity(ies), then the director indicated finds himself in that situation.

Independent – The director concerned is not covered by any of the situations referred to in sub-paragraphs a) to e)which constitute the norm in question, nor is he covered by the situation described in ✓.

19. Professional qualifications and other relevant curricular details of members of the Board of Directors

Consult the Annex to the present report (page 329).

20. Family, professional or commercial relationship, habitual and significant, of the members of the Board of Directors with shareholders to whom a qualified holding of 2% or more of the voting rights is imputed

As referred to in point 7 of the present report, the shareholders with a qualified holding of more than 2% are corporate entities. Accordingly and naturally, there does not exist any family relationship between the members of the Board of Directors and shareholders with a qualified holding of more than 2%.

The professional relationships of the members of the Board of Directors with shareholders holding a qualified holding of more than 2% are described with respect to each member in annex to the present document, detailing therein the professional positions occupied in the corporate shareholders with qualified holdings of more than 2%.

BPI has not received any communication of any commercial relationships, habitual and significant, between the members of the Board of Directors and corporate shareholders with qualified holdings of more than 2% in BPI.

21. Apportionment of duties between the various governing bodies and committees

21.1. Board of Directors

The Board of Directors is the corporate body to which the widest powers have been attributed in order to manage and represent the company, without prejudice to the specific powers which the law vests in the Supervisory Board. The BPI Group's major strategic options are laid down by it.

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

- To appoint the Executive Committee from amongst their members.
- To define the BPI Group's general policies: for this purpose, the BPI Group shall mean the group of credit institutions and financial companies controlled directly or indirectly by Banco BPI, S.A., including the entities with management contract to be assumed by BPI.
- To approve the strategic plan and operating plans and budgets, both annual and pluri-annual, and the alterations thereto, and to periodically monitor their execution.
- To prepare the documents forming the annual report and accounts and the proposed appropriation of net income, to be presented at the General Meeting.
- To take the initiative to propose any amendments to the statutes and capital increases, as well as bond issues which do not fall within its powers, presenting the corresponding proposals to the General Meeting.
- To approve the code of conduct of the companies controlled fully by the BPI Group.

Furthermore, the Board of Directors is responsible for practising all the other acts which are necessary or appropriate for the pursuance of the business activities falling within its objects clause and, in particular:

- to represent the company in and out of court, as plaintiff and defendant, to institute and contest any legal or arbitration proceedings, to confess, withdraw or reach a compromise in any legal actions or to abide by arbitrators' decision;
- to acquire, dispose of or encumber any assets or rights;
- to deliberate, in the terms of paragraph two of Article three of the Articles of Association, on the company's participation in the equity capital of other companies and in partnership association (joint venture) contracts, in complementary corporate groupings and in European economic-interest groupings;
- to approve shareholdings in banks and insurance companies, as well as their disposal;
- to approve loan operations to companies or groups of companies where the exposure exceeds 300 M.€;
- to appoint the Directors of the banks controlled by BPI;
- to appoint authorised signatories to perform certain acts or categories of acts, defining the extension of the respective mandates.

The Board of Directors is also responsible for the following:

- to delegate to an Executive Committee, composed of three to nine members, the day-to-day management of the Company, subject to the limits to be fixed in the resolution approving such delegation;
- to co-opt Directors to fill any vacancies which may occur;
- to appoint a Company Secretary and an alternate Secretary;
- to draw up a set of internal rules of procedure and approve the functioning regulations for the Executive Committee to be appointed, as well as for the Audit and Internal Control Committee, the Nominations, Evaluation and Remuneration Committee and the Corporate Governance Committee; these last two committees must prepare reports (at least annually) for the Board of Directors' review and approval.

21.2. Executive Committee of the Board of Directors

By resolution of the Board of Directors, the Company's day-to-day management has been delegated to the Board of Directors' Executive Committee. This includes all the necessary or appropriate management powers for the conduct of banking activity in terms of and to the extent that is permitted by law and, namely, powers to decide and represent the Company as regards the following matters:

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS' EXECUTIVE COMMITTEE

- Operations for the granting of credit or financing.
- Remunerated provision of personal guarantees.
- Provision of real guarantees involving securities and which are necessary or appropriate for pursing the activities contained in the Company's business objects.
- Realisation of foreign currency operations.
- Realisation of deposit-taking operations.
- Issuance of cash bonds and financial instruments of a similar nature.
- Subscription, acquisition, disposal or encumbering of participating interests in any companies, with the exception of shareholdings in Banks and Insurance Companies.
- Acquisition, disposal or encumbering of any other securities.
- Acquisition, disposal or encumbering of movable and immovable assets.
- Acquisition of services.
- Admissions, definition of levels, categories, remuneration conditions and other Employee perks, as well as the appointment to managerial positions.
- Exercise of disciplinary power and the application of any sanctions.
- Opening or closure of branches or agencies.
- Appointment of who should represent the Bank at its subsidiary and associated companies' general meetings, setting the voting intention to be cast thereat.
- Appointment of the persons who should exercise the corporate functions for which the Bank was elected, as well as the persons whom the Bank should indicate to apply as candidates for any corporate office, except the members of the Board of Directors of the Banks controlled by the Company.
- Issue of binding instructions to the companies totally controlled by the Company.
- Representation of the Bank in and out of court, as plaintiff and defendant, including the institution and contestation of any judicial or arbitration procedures, as well as admission, withdrawal or compromise in any lawsuits and the assumption of arbitral commitments.
- Appointing authorised signatories, with or without powers of attorney, for the performance of specified acts or category of acts, defining the extent of the respective mandates.

As regards operations involving the granting of credit or financing and the provision of remunerated personal guarantees, such operations cannot result in the involvement in a relationship with any single entity (or if it forms part of a group, then with respect to that group) of more than 15% of Banco BPI's consolidated shareholders' equity. Above that amount, the involvement must be decided at a plenary meeting of the Board of Directors.

21.3. Consultative Committees for the Board of Directors

Within the ambit of the Board of Directors, there are four consultative committees providing specialist support and envisaged in the statutes: the Audit and Internal Control Committee (CACI), the Financial Risks Committee (CRF), the Corporate Governance Committee and the Nominations, Evaluation and Remuneration Committee (CNAR).

The following is a brief description of those committees' terms of reference:

PRINCIPAL TERMS OF REFERENCE OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

PRINCIPAL TERMS OF REFERENCE OF THE FINANCIAL RISKS COMMITTEE

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

PRINCIPAL TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE COMMITTEE

The function of the Corporate Governance Committee is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

PRINCIPAL TERMS OF REFERENCE OF NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

The Nominations, Evaluation and Remuneration Committee, has as its principal functions issuing opinions on the filling of vacancies arising on the governing bodies on the choice of Directors to be appointed to the Executive Committee and the evaluation and fixing of this Executive Committee's remuneration.

21.4. Company Secretary

The Company Secretary is appointed by the Board of Directors. The duration of his / her functions coincides with the term of office of the members of the Board of Directors which appointed him / her. In the case of the secretary's absence or impediment, his / her functions will be performed by the alternate secretary.

PRINCIPAL TERMS OF REFERENCE OF THE COMPANY SECRETARY

In addition to the other functions attributed by the Bank, the Company Secretary performs the functions contemplated in the law:

- To serve as secretary at the meetings of the governing bodies.
- To record the minutes and sign them together with the members of the respective governing bodies and the Chairman of the General Meeting Committee, when this is the case.
- To keep, store and maintain in proper order the minute books and loose minute sheets, the list of presences, the share register, as well as attending to the routine matters relating to these.
- To expedite the legal notices convening the meetings of all the governing bodies.
- To authenticate the signatures of the members of the governing bodies placed on the company's documents.
- To certify that all the copies or transcriptions extracted from the company's books or of filed documents are genuine, complete and up-to-date.
- To satisfy within the scope of the terms of reference, the requests formulated by shareholders in the exercise of their right to information and to furnish the information solicited from the members of the governing bodies which exercise oversight functions covering the deliberations of the Board of Directors or of the Executive Committee.
- To certify the content, total or partial, of the company's statutes in force, as well as the identity of the members of the company's various bodies and which are the powers vested in them.
- To certify the up-dated copies of the statutes, deliberations of the shareholders and of management, and of the entries in force appearing in the company's books, as well as ensuring that they are handed over to or sent to the owners of the shares who have requested them and have paid the respective cost.
- To authenticate with his / her initials all the documentation submitted to the General Meeting and that referred to in the respective minutes.
- To promote the registration of the company's acts subject to this requirement.

22. Regulations governing the Board of Directors

The Regulations governing the functioning of the Board of Directors are available at the Investor Relations web site (www.ir.bpi.pt), under the section "BPI Group's Governance".

23. Number of meetings held and degree of attendance

The Board of Directors met 7 times in 2013. The attendance rate of each member was:

Member	Presence	Representation
Artur Santos Silva	7	-
Fernando Ulrich	7	-
Alfredo Rezende de Almeida	7	-
António Domingues	7	-
António Farinha Morais	7	-
António Lobo Xavier	5	1
Armando Leite Pinho	6	-
Carlos Moreira da Silva	7	-
Edgar Alves Ferreira	7	-
Herbert Walter	6	-
Ignacio Alvarez-Rendueles	7	-
Isidro Fainé Casas	1	6
José Pena do Amaral	7	-
Juan María Nin	3	2
Klaus Dührkop	5	-
Manuel Ferreira da Silva	6	1
Marcelino Armenter Vidal	5	2
Maria Celeste Hagatong	7	-
Mário Leite da Silva	5	2
Pedro Barreto	7	0
Tomaz Jervell	4	2

During the 2013 financial year Banco BPI's Board of Directors reviewed and approved, amongst others, the following matters:

Principal resolutions / matters dealt with the Board of Directors' meetings

Date	Resolution / Matters
	Approval of the plans and budgets
30 Oct.	Recovery Plan presented to the Bank of Portugal.
11 Dec.	Review of the estimated results for 2013.
11 Dec.	Review and approval of the Budget for 2014.
30 Jan., 30 Oct.	Funding and Capital Plan.
16 Jul.	Restructuring Plan to present to the European Directorate General for Competition.
	Annual report and accounts and proposed appropriation of net profit
30 Jan., 15 Mar.	Review and approval of the 2012 consolidated accounts, as well as deliberation on their public release.
15 Mar.	Approval of the draft Annual Report and Accounts to be tabled at the AGM of 24 April 2013.
24 Apr.	Review of the consolidated accounts at 31 March 2013 as well as deliberation on their public release.
24 Jul.	Review of the consolidated accounts at 30 June 2013 as well as deliberation on their public release.
30 Oct.	Review of the consolidated accounts at 30 September 2013 as well as deliberation on their public release.
	Initiatives to be presented to the Shareholders General Meeting
15 Mar.	Approval of the draft Notice of Meeting and the proposals to be tabled at the AGM of 24 April 2013.
	Monitoring of the trend in the BPI Group's pension obligations and pension funds' assets
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct.	Review of retirement and survivors' pension obligations and the respective pension fund cover, as well as the returns achieved by the fund.
	Monitoring the Bank's exposure to large-scale risks and loan operations
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct., 11 Dec.	Review of other operations subject to the regime contemplated in article 85 or 109 of the Banking Act.
	Bond issue
30 Jan.	Approval of the renewal / revision of the Euro Term Note Programme (EMTN Programme).
	Internal functioning
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct., 11 Dec.	Information about the Audit and Internal Control Committee's activity.
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct., 11 Dec.	Information about the Financial Risks Committee.
15 Mar.	Information about the Corporate Governance Committee's.
15 Mar., 24 Jul.	Information about the Nominations, Evaluation and Remuneration Committee's activity.
24 Jul.	Alteration to the Regulations of the Financial Risks Committee and to the Annex to the Executive Committee's Regulations.
30 Oct.	Setting the timetable for the General Meeting and the Board of Directors meetings in 2014.
	Other matters of general interest to the Company
2014: 30 Jan.	Subordinated debt for capital swap operation
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct.	Dialogue with the European Union's Directorate General for Competition – Restructuring Process.
30 Jan.	Amendments to BPI's Code of Ethics and Conduct approved at the 25 July 2011 meeting.
30 Jan., 30 Oct. 11 Dec.	Contingent convertible subordinated bonds redemption programme (CoCos).
30 Jan., 15 Mar., 24 Apr., 24 Jul., 30 Oct.	Analysis of the stock market behaviour of Banco BPI shares.

24. Bodies charged with the responsibility for carrying out the evaluation of the executive directors' performance

Responsibility for undertaking the evaluation of the executive directors' performance with a view to determining the respective variable annual remuneration is entrusted to the Remuneration Committee (RC).

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of Bank of Portugal Notice 10 / 2011.

25. Predefined criteria for assessing executive directors' performance

The Nominations, Evaluation and Remuneration Committee in preparing its report to the Remuneration Committee, and the Remuneration Committee itself define the variable remuneration of executives according to their performance evaluation and carry out that evaluation based on the following criteria which (i) are consistently used over the years and are hence predetermined and (ii) are quantitative.

According to the remuneration policy for members of Banco BPI's Management and Oversight Bodies and which was approved at the General Meeting of 27 April 2011, besides the non-quantitative parameters (such as those linked to reputation / level of complaints, etc.), the Remuneration Committee also takes special account the following quantitative parameters:

- solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);
- profitability (ROE and net interest income and impairments) and Efficiency (cost-to-income ratio);
- market position (market shares);
- liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

The evaluation of performance assesses the contribution of each one of the executives in the light of those criteria.

26. Positions held by members of the Board of Directors

As regards this point, we refer you to the information appearing in the annex on page 329.

27. Details of the committees created within the Board of Directors and the place where the rules on the functioning thereof is available

As previously explained (points 15 and 21.), four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members:

- the Audit and Internal Control Committee (Comissão de Auditoria e Controlo Interno – CACI;
- the Financial Risks Committee (Comissão de Riscos Financeiros – CRF);
- the Corporate Governance Committee (Comissão de Governo da Sociedade – CGS;
- the Nominations, Evaluation and Remuneration Committee (Comissão de Nomeações, Avaliação e Remunerações – CNAR).

The full spectrum of the abovementioned specialist committees' terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations web site, under the section "BPI Group's Corporate Governance".

The CNAR's terms of reference are also laid down in article 7 of Bank of Portugal Notice 10 / 2011.

28. Composition of the Executive Committee

The Executive Committee of Banco BPI's Board of Directors (Executive Committee – Portuguese acronym CECA) is currently composed of seven professional executive Directors who are independent of any shareholders or specific interest groups.

It is the BPI Group's policy that the persons making up the Executive Committee only exercise other corporate functions by appointment by the Bank when it has important participating interests in those companies.

Executive Committee	Principal areas of responsibility
Chairman	
Fernando Ulrich	Planning; Accounting and Statistics; Private Banking; International Private Banking; Investment Centres; Asset Management.
Deputy-Chairman	
António Domingues	Financial; Audit and Inspection; Security; Institutional Banking / State Business Sector; Financial Services – Mozambique; Business Development Unit – Africa, Banco de Fomento Angola.
Members	
José Pena do Amaral	Individuals and small businesses banking; Non-residents; Commercial partners; Communication and Brand Management.
Maria Celeste Hagatong	Corporate Banking; Project Finance; Construction Financing; Corporate Credit recovery; Specialised Loans to companies; Banco BPI's branch in Spain; Africa Office.
Manuel Ferreira da Silva	Equities, Corporate Finance, Private Equity, Economic and Financial Studies, Investor Relations, BPI Investimentos' branch in Spain.
António Farinha Morais	Procurement, Outsourcing and Fixed Assets; Operations; Analysis and Risk Control, Credit Risk, Legal, Compliance, Affiliated companies; Insurance.
Pedro Barreto	Organization and Quality, Information Systems, Marketing; Human Resources, Public Relations; BCI Fomento (Moçambique).

Terms of reference

The Executive Committee has wide management powers, delegated by the Board of Directors, to carry on the Group's day-to-day activity, while its exercise is the object of permanent monitoring by the Board of Directors.

These powers to decide and represent the company in the matters referred to in point 21.2 are set out in this Committee's functioning regulations.

The full spectrum of this body's terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations web site, in the section "BPI Group's Corporate Governance".

Executive Committee Meetings

The Executive Committee meets at least once a month for the purpose of dealing with matters of general interest relating to Banco BPI and its subsidiaries. It normally meets on a weekly basis. In 2013, the Executive Committee met 43 times.

Functioning rules

The Executive Committee can only adopt resolutions when the majority of its members are present, while representation is not permitted.

The resolutions of the Board of Directors' Executive Committee are adopted by an absolute majority of the votes, with the Chairman having the casting vote.

According to the statutes, a person cannot be appointed to the Executive Committee who, at 31 December of the year prior to such appointment, had attained 62 or more years of age.

Policy of rotation of areas of responsibility in the Executive Committee

All the members of the Executive Committee play an active role in the day-to-day management of the Group's business, having under their stewardship one or more specific business areas, in accordance with the respective profile and with individual expertise, and corresponding to the distribution of responsibilities which at any moment best contributes to that body's effective and balanced functioning. The Executive Committee meets weekly to review the Bank's operations and risks. Without limitation to the greater or lesser concentration of one or other person in a specific area, the Executive Committee's decision-making process on matters pertaining to the conduct of the current management of the Group is based on a collegial format and is the object of systematic monitoring by the Board of Directors. In addition, given the importance of market risks in financial activity:

- Banco BPI has a specialised committee functioning, the Executive Committee for Global Risks, the body charged with analysing global risks (market, liquidity, credit, country, operational and other risks). Besides the members of Banco BPI's Executive Committee, this body includes the heads of the divisions more closely related with such matters. Since the beginning of the international financial crisis the Executive Committee has assumed as a management priority the monitoring by it of the aforementioned risks.
- The Financial Risks Committee, composed of non-executive members of the Board of Directors, monitors the management policy relating to all the financial risks inherent in the Bank's operations, including credit risks, as well as the management of its pension fund.
- On the other hand, the Audit and Internal Control Committee, the Board of Directors' consultative body which meets monthly, monitors closely the operational risks and the exercise of the compliance function.

BPI does not see advantage, in the present circumstances and bearing in mind the conditions and manner of the Executive Committee's functioning, in the periodic rotation of areas of responsibility of any executive director.

Information to the Board of Directors and to the Supervisory Board

The Chairman of the Executive Committee sends to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board, for his knowledge, the notices of that Committee's meetings prior to their realisation. The minutes of the respective meetings are also made available.

The members of the Executive Committee furnish in a timely and proper manner the information solicited from them by other members of governing bodies.

Specialised Executive Committees

Bearing in mind the importance of credit risks and market risks in banking activity, as well as the importance attributed to information technologies as a competitive factor, there are three specialised committees: the already-mentioned Executive Committee for Credit Risks, the Executive Committee for Global Risks and the Executive Committee for Information Technologies which include, each one of them, and in addition to the members of the Executive Committee, the Group's senior executives in charge of the respective areas.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR CREDIT RISKS

The Executive Committee for Credit Risks is the body which monitors and decides on the concession and recovery of loans, analysing mandatorily all the exposures to any one entity involving more than a defined limit.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR GLOBAL RISKS

The Executive Committee for Global Risks is the body charged with managing global exposure to risks related with the BPI Group's activity, specifically, liquidity risks, market risks (trading, bank portfolio interest rate, refinancing, bank portfolio exchange rate), credit / counterparty risks (global perspective only); country risk; operational risks (global perspective only); other risks materially relevant.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR INFORMATION TECHNOLOGIES

The Executive Committee for Information Technologies is the body which defines and monitors the Bank's priorities in the information systems domain, as well as the control over related projects and undertakes the annual evaluation and approval of the strategic plan within the scope of the information systems.

Composition

Besides the members of Banco BPI's Executive Committee, these bodies include the heads of the relevant divisions.

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

Executive Committee for Credit Risks

- Alexandre Lucena e Vale (Legal)
- Filipe Cartaxo (Institucional Banking / SBS)
- Frederico Silva Pinto (Credit Risks)
- João Azevedo Gomes (Companies North – Coord. Reg. Porto)
- Joaquim Pinheiro (Loan recovery)
- Luís Camara Pestana (Companies South and Islands)
- Maria do Carmo Oliveira (Large companies North)
- Miguel Ribeiro (Companies North – Coord. Reg. Norte)
- Pedro Monteiro Coelho (Large Companies South)
- Pedro Silva Fernandes (Companies Center)
- Tiago Simões de Almeida (Project Finance)

Executive Committee for Global Risks

- Francisco Xavier Avillez (Financial)
- Paula Gonçalves Carvalho (Economic and Financial Studies)
- Paulo Freire Oliveira (Equities)
- Rui Martins dos Santos (Risk Analysis and Control)
- Susana Trigo Cabral (Accounting, Planning and Statistics)

Executive Committee for Information Technologies

- Filipe Silvério (Management and CETI projects)
- Francisco Barbeira (Information Systems)
- Maria Teresa Rocha (Organisation and Quality)
- Paulo Vila Luz (Operations)
- Teresa Sales Almeida (Marketing)

29. Terms of reference and summary of activities undertaken of the consultative committees of the Board of Directors

29.1. Audit and Internal Control Committee in 2013

Terms of reference and activity

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

REPORT OF THE AUDIT AND INTERNAL CONTROL COMMITTEE'S ACTIVITY IN 2013

The Audit and Internal Control Committee (Portuguese acronym CACI) held ten meetings during 2013, having analysed the matters related with its terms of reference according to the activity plan approved at the meeting held in December of the previous year.

In terms of its regulations, the Chairman of the Board of Directors, the Chairman and Vice-Chairman of the Executive Committee, the members of the Supervisory Board and the representatives of the Portuguese statutory auditors participated regularly at the CACI's meetings, but without the right to vote.

Besides the above, the Directors and managers responsible for the areas whose matters were under review were also summoned to attend the meetings.

The reviews carried out and the decisions taken were mainly founded on the work performed by the External Auditors, by the Audit and Inspection Division (Portuguese acronym DAI) and by the other Bank Divisions within the scope of their respective functions. Where applicable, these were also backed up by inspections and communications with the supervisory authorities.

The following is a summary of the CACI's activities in 2013, as part of its terms of reference.

1. Overseeing observance of the law and regulations, the supervision authorities' standards, the company's statutes and the internal policies, standards and practices

The Committee supervised compliance with legal, regulatory and internal provisions in the various areas encompassed by the audit and review work covering the internal and external auditors' procedures. To this end, not only were the findings of these procedural reviews and work (which were submitted regularly during the year) analysed, but it also monitored the implementation of the ensuing recommendations.

In the same order of concerns, it analysed the reports drafted by the external auditors, with the conclusions resulting from the execution of the following work:

- analysis of the processes instituted at the Group companies for ensuring the safeguarding of Customers' assets in compliance with the Securities Market Code;
- review of the procedures in place at Banco BPI for compliance with the regulatory requirements relating to the taking of resident Customers' resources;
- analysis of the adequacy of the accounting treatment adopted by Banco BPI in the asset-assignment operations to the FCR Recovery Fund and to the FCR Business Restructuring fund – in compliance with the Bank of Portugal's regulations.

It also examined at the October meeting the information to be sent to the Bank of Portugal in terms of Notice no. 18 / 2012, with a view to drafting Banco BPI's "resolution plan" envisaged in Article 116-D of the General Regime of Credit Institutions and Financial Companies for those credit institutions authorised to receive deposits.

The November meeting reviewed the report prepared by the DAI on compliance by the BPI Group with the rules governing the various prudential reports submitted to the Bank of Portugal, to the Securities Market Commission (CMVM), to the Insurance Institute of Portugal, as well as the accuracy of the respective content.

Moreover and as concerns BFA's operations, at the May meeting it reviewed the new regulatory framework enacted by the Banco Nacional de Angola governing the procedures to be adopted in relation to the foreign exchange operations arising from the oil and gas sector's activities.

As regards keeping abreast of the inspections carried out by the supervisory authorities, the Committee was informed throughout the year of the reports covering the inspections conducted by the Bank of Portugal according to the Risk Evaluation Model (REM) of the "Large and Medium-sized Companies", "Small Businesses" and "Project Finance" areas, as well as of the Bank's responses to those reports and the pace of the implementation of the recommendations presented by means of the half-yearly progress reports.

Still in this domain, it also kept itself informed throughout the year and based on the identical documentation for the progress relating to compliance with the recommendations stemming from the Special On-site Inspections Programme" of the Bank of Portugal, as regards the credit-risk procedures and controls and impairment methodology ("Workstream 1"), the calculation of the own funds requirements for credit risk ("Workstream 2") and the parameters and methodologies utilised in the stress tests ("Workstream 3").

It also accompanied the implementation of the recommendations resulting from the On-site Inspections Programme, which covered the exposure of the eight main banking groups to the construction and property development sectors.

At the September meeting it studied the findings of the "Transversal review of the loan portfolio's impairment" undertaken by the external auditors with respect to Banco BPI and Banco Português de Investimento, according to the guideline and terms of reference laid down by the Bank of Portugal for the aforesaid banking groups.

2. Supervision of the adequacy and compliance with the accounting policies and practices, review of the statutory audit and of the process involving the preparation and dissemination of financial information

Verification of compliance with accounting policies, criteria and practices and checking the integrity of financial information were also undertaken primarily through appraisal of the findings of the audits and reviews of procedures conducted during the year by the external and internal audit teams.

In addition, the Committee analysed in detail the BPI Group's consolidated results to December 2012, as well as those relating to the first, second and third quarters of 2013. Already in January 2014, it examined the results for the year ended December 2013.

The March meeting analysed the Board of Directors draft 2012 Report and Accounts, as well as the Supervisory Board's report and opinion on the annual report and accounts and the Portuguese Statutory Auditor's draft statutory audit certification and audit report. At the September meeting, it considered the report and accounts for the first six months of 2013, as well as the external auditors' audit reports on the interim financial information.

It also examined the principal findings of the review procedures realised with respect to Banco BPI's and Banco Português de Investimento's financial statements by Deloitte for the periods ended 31 March and 30 September 2013. It also reviewed the financial statements of Banco de Fomento Angola for the six months to June 2013.

At the April meeting, it reviewed the report submitted by the external auditors covering the quantification of adequate economic provisions relative to the implicit risk in Banco BPI's and Banco Português de Investimento's loan portfolios with reference to 31 December 2012. At the November meeting, the Committee reviewed the impairment report covering Banco BPI's loan portfolio (global activity) with reference to 30 June 2013, compiled by those auditors pursuant to the requirements prescribed by the Bank of Portugal's new Instruction no. 5 / 2013 which revoked the previous regulations dealing with this matter.

Still as regards the monitoring of the preparation and dissemination of financial information, the Committee analysed at the June and December meetings the "Banco BPI's Quarterly consolidated information", prepared in compliance with CMVM Regulation no. 5 / 2008.

On the other hand, the report prepared by the Legal Division on the IRC tax computation relating to 2012 was the object of special review, as was the report on the review carried out by the external auditors of Banco BPI's and Banco Português de Investimento's Form 22 (the annual corporate income tax return).

It also examined in the same manner the findings of Deloitte's review of tax-related procedures implemented at Banco BPI and BFA in several tax-related areas deemed to be important for both banks.

Finally the October meeting considered the information supplied by Deloitte concerning the evaluation to the effected by the European Central Bank with respect to asset risks and quality covering some 130 financial institutions (including Banco BPI) from 18 member States of the EU as part of the preparation of a single bank supervision mechanism at European level.

3. Evaluating and enhancing the effectiveness of the internal control system

The evaluation and enhancement of the efficacy of the internal control systems within the BPI Group was a permanent concern of the Committee.

With this mission, the Committee regularly evaluated the operational procedures in place at the Group companies, including the branches and subsidiaries.

The analysis carried out was essentially based not only on the findings of the procedural reviews conducted by the external auditors and by the Internal Audit unit, but also on the presentations and clarifications which are the responsibility of the relevant Boards and Divisions.

The information furnished periodically by the DAI unit on compliance and the forecast of the periods for implementation of the recommendations formulated by the audits, with an indication of the degree of associated risk, also constituted an important indicator.

The Committee also periodically reviewed the schedules indicating the areas and themes subjected to the audits conducted by the DAI in the last three years with the aim of promoting the desirable scope of these initiatives and their contribution to streamlining the internal control systems.

In more specific domains, the Committee reviewed at the May meeting the most significant aspects and the main rules for managing Banco Fomento's operational, compliance, credit, market, liquidity, currency and information systems risks, with the respective Executive Committee having given the necessary clarifications on these issues.

On the other hand, it studied at the March meeting the draft interim report covering 2012 dealing with the "Internal Capital Adequacy Assessment Process "(ICAAP)", to be sent to the Bank of Portugal in terms of Instruction no. 15 / 2007.

The same meeting also examined the report on loan concentration risk with reference to December 2012, compiled in compliance with the Bank of Portugal's Instruction no. 5 / 2011.

It also studied at the June meeting the document entitled "Disciplina de Mercado" (Market Discipline), published on the Bank's web site in compliance with the provisions of Decree-Law no. 104 / 2007 and Notice no. 10 / 2007 and containing information about the BPI Group's risk-management policies.

Insofar as compliance with reporting duties to the supervisory authorities are concerned about the adequacy and effectiveness of the internal control systems instituted, pursuant to the regulatory requirements of the Bank of Portugal, CMVM and the Instituto de Seguros de Portugal, the commission analysed:

- the annual reports covering risk-management, compliance and internal audit functions;

- the annual internal control reports of the BPI Group and its companies and offshore branches subject to supervision on a consolidated basis sent to the Bank of Portugal and the CMVM, in terms of existing regulations;
- the annual reports on the prevention of money laundering and the financing of terrorism at Banco BPI, Banco Português de Investimento and BPI Gestão de Activos, sent to the Bank of Portugal in compliance with Notice 9 / 2012;
- the opinions of the respective oversight bodies and statutory auditors, which accompany the annual reports;
- the annual report on the risk management and internal control systems at BPI Vida e Pensões, sent to the Instituto de Seguros de Portugal, in terms of Regulation no. 14 / 2005 – R of that Institute, and the respective statutory auditors' opinion.

4. Evaluating and promoting the effectiveness of the risk-management system

a) Operational risks

One of the principal means used in assessing and promoting efficacy in the control of operational risk also involved the appraisal of the findings and recommendations resulting from the audits and review procedures conducted by the Auditors, in conjunction with the heads of the Divisions and Group companies which were the object of these reviews.

This method permitted identifying the most important shortcomings and formulating the recommendations to the Group bodies and companies audited, as well as the transmission of suggestions to the Executive Committee regarding the issues at stake.

Accordingly, besides the abovementioned audits and review procedures, the Committee also reviewed during 2013 other initiatives with the same purpose which covered the following areas:

(i) External auditors' review procedures:

- Non Residents Division
- Operations Division – Monitoring and managing the effects portfolio
- Means of Payment and Markets – Market Operations Area
- Banco Português de Investimento – Equities Department
- BFA – Finance and International Division
- BFA – General IT Controls – "Banka" computer application
- Pension liabilities, including the component borne by the Social Security

(ii) Audits done by Banco BPI's Audit and Inspection Division

- French branch – Operations service
- Registration and control of the "Elos" IT application
- Institutional Banking Division and State Business Sector
- Cayman branch
- Macau branch
- Banco BPI Cayman
- Implementation of the Bank of Portugal's recommendations within the ambit of the Special Inspections Programme ("Workstream 2")
- Madrid branch
- Credit card operations.

Meanwhile, the Commission was given detailed information at the April meeting about the organic and functional structure created at the Organisation and Quality Division and centralised at the Operational Risks Analysis and Control Area with a view to their management at the BPI Group. In this domain, the Committee acquainted itself with the work carried out in 2012 and the plans for 2013 in the areas of operational risk, business continuity and information security.

In addition, the Committee was informed at the January and July meetings about all the investigations carried out by the DAI of occurrences which generate losses, respectively in the second half of 2012 and first six months of 2013, having analysed the operational causes of these occurrences and the measures decided on for their eradication.

It also performed an identical analysis at the May meeting of incidents which occurred at BFA in 2012, by way of a report prepared by that bank's Audit, Inspection and Security Division (Portuguese acronym DAIS).

Furthermore, it examined at the January and July meetings statistical data presented by the DAI relating to incidents of that nature which took place at Banco BPI, respectively in the four-year periods 2009 / 2012 and 2010 / 2013, with details of the risks imputed to the Bank and its Employees, as well as those assumed by the Bank.

Meanwhile at the March and September meetings, the summaries prepared by the Quality Area of the Organisation and Quality Division were reviewed regarding Customer complaints received at Banco BPI in the previous half years, as well as the improvements introduced into the internal procedures arising from the complaint situations, with a view to refining the control of operational risk. At the November meeting, a similar review was done as regards the summary presented by the BFA's DAIS covering the process for handling complaints at that Bank, with indications of the main measures taken internally in this area.

At the July meeting, the Strategic Marketing Division presented the review covering the quality of information about Customers, with an indication of the initiatives under way and the measures envisaged for improving the quality of and updating that information.

Special attention was also paid at the September meeting to the report submitted by the Procurement, Outsourcing and Fixed Assets Division regarding outsourced activities, with details of the methods and procedures utilised for ensuring adequate control of this type of activity on the subject of security, quality and price levels.

b) Compliance risk

The Committee examined at the April meeting the report on the work performed by the Compliance Division during 2012, in its mission of preventing and mitigating compliance risk in the areas of normative and contractual regulation and more specifically, in the prevention of money laundering, terrorism financing and market abuse. It was informed about the refinement and strengthening of measures introduced in the respective means for operating.

The Committee also approved at the same meeting that Division's activity plan for 2013, in which special importance was attributed to continuing the implementation of the compliance risk-management model, the preparation of the policy for accepting Customers and the revision of the money laundering and the financing of terrorism processes.

At the November meeting, in compliance with the provisions of the new Code of Ethics and Conduct which has been in force since May 2013, the Committee was given the Compliance Division's first report containing information about the results of the monitoring of the Code's observance during the 3rd quarter of the year.

c) Reputational risk
The Committee reviewed at the March and September meetings the various service-quality evaluation factors, as well as the external and internal instruments used at Banco BPI for its measurement, amongst which the service quality indices "IQS – Índices da qualidade de serviços". It also acquainted itself through the Quality Area with the strategic priorities resulting from the analysis of those indicators and the initiatives taken in order to foster quality in Customer attendance and support.

Complementarily, there was the opportunity to review the already-mentioned quarterly summaries covering complaints, the reputational risk associated with the procedures followed in the provision of services and communication with Customers.

The Committee reviewed at the October meeting the report on the work carried out during 2012 by the Investor Relations Division in the discharge of its financial information disclosure functions covering the control and management of reputational risk within the scope of its activity, and the response to requests from investors, analysts and other market agents.

Moreover, at the same meeting, it studied the Legal Division's information describing the procedures relating to the relationship with the Tax and Customs Authority within the context of compliance with tax-related obligations.

Following the revision of the BPI Group's Code of Ethics and Conduct promoted by the Committee, the final version of the said Code was presented at the May meeting and came into force in that month

In addition, it reviewed the conclusions of the various reports issued during the year by the rating firms (Standard & Poor's, Moody's and Fitch Ratings) covering Banco BPI and Banco Português de Investimento, other Portuguese banks and the Portuguese Republic.

5. Evaluating and promoting the effectiveness of internal audit activity

The monitoring of the Audit and Inspection Division's (DAI) work and the evaluation of its efficacy were undertaken during the year through:

- approval of the quarterly audit plans;
- the review of the activity undertaken by the Division in each half year;
- the quarterly analysis of the audits performed in the last three years and the underlying criteria;
- the analysis of the principal findings of the audits;
- the analysis of compliance with the recommendations issued by the DAI, by the external auditors and by the Bank of Portugal, based on information supplied by that Division with indication of the respective degrees of risk.

In endorsing the audit plans, the Committee was concerned with guaranteeing as regards the central services and the Group companies, adequate distribution of the audit work over the major risk areas or with a greater administrative burden, and as regards the commercial network, the bodies also indicating the greatest risk or the occurrence of possible irregularities

The monitoring and control of the activity of BFA's DAIS realised within the scope of the Committee's functions with respect to the Group companies subject to supervision on a consolidated basis, were meanwhile realised through the review of its 2012 activity report and the approval of the respective audit plan for 2013. At the November meeting, the Committee was informed about the audit of BFA's branches already carried out by the DAIS up till the end of August 2013, with details of the principal findings.

6. Monitoring and overseeing the Portuguese statutory auditors' independence and activity

The Committee supervised and evaluated throughout the year the activity and independence of the Portuguese statutory auditors, namely as regards the provision of additional services.

In this regard, the Committee issued an opinion on the external auditors' procedural review plan for 2013 at Banco BPI and Banco Português de Investimento, with a view to its approval by the Supervisory Board. In addition and as already referred to, it studied the findings of those reviews and followed through the adoption of the resulting recommendations.

It also reported for the same purpose on the proposed fees relating to the external auditors' annual work plan at those two banks and at other Group companies.

It also examined and submitted, with its opinion, to the Supervisory Board for approval Deloitte's proposals for work not directly related with their function as the Group's external auditors.

29.2. Financial Risks Committee

Terms of reference and activity

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee (Portuguese initials CRF) is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

The Financial Risks Committee met nine times in 2013, having dealt with the following matters at those meetings:

Date	Resolutions / Matters
23 January 2013	▪ Banco BPI's liquidity situation;
	▪ Sovereign Debt portfolio acquired before 2012;
	▪ Portfolio of T-Bills and T-Bonds acquired in 2012;
	▪ 2012 results;
	▪ Situation of the Pension Fund in 2012;
	▪ BPI's situation vis-à-vis the EBA's temporary buffer and Basel 3;
	▪ Repayment of the Hybrid;
	▪ Dialogue with the European Commission's Directorate-General for Competition;
	▪ BPI comparison with other Portuguese banks;
	▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).
14 February 2013	▪ Banco BPI's liquidity situation;
	▪ Funding and Capital Plan;
	▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).
13 March 2013	▪ Behaviour of the Corporate Banking portfolio and respective loan quality;
	▪ Behaviour of the Individuals Banking portfolio and respective loan quality;
	▪ Quality of the loan portfolio – comparison with the competition;
	▪ Concentration Risk;
	▪ Behaviour of the 20 biggest exposures to non-financial entities;
	▪ Trend in the 50 biggest impairment situations at Corporate and Small Business Banking;
	▪ Credit risk exposures of more than 75 M.€;
	▪ Trend in the distribution of the Corporate Banking portfolio by rating classes;
	▪ Groups under observation: – 100 biggest exposures without individual impairment allowances set aside;
	– 50 biggest exposures with individual impairment allowances constituted;
	– 50 biggest exposures under judicial recovery / execution;
	▪ Trend in the 20 largest exposures to construction and public works firms;
	▪ Trend in the 20 largest exposures to the real-estate business sector;
	▪ Behaviour of the loan portfolio relating to entities resident in Spain;
	▪ Trend in the loan portfolio relating to non residents in Portugal and Spain;
	▪ Trend in foreclosed properties and respective impairments in excess of 250 th.€;
	▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC);
	▪ Portugal / Angola Credit Line;
	▪ Financing to the State Business Sector;
	▪ Proposed investment in a venture capital fund for compliance with the recapitalisation condition relating to investment in venture capital;
	▪ Banco BPI's liquidity situation;
	▪ Committee's activity report in 2012.

Date	Resolutions / Matters
14 May 2013	▪ Banco BPI's liquidity situation; ▪ Sovereign debt portfolio; ▪ Financing to the State Business Sector; ▪ Negotiations with the European Commission's Directorate General for Competition; ▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC); ▪ Venture Capital Fund; ▪ Situation of the banking sector in March 2013.
6 June 2013	▪ Banco BPI's liquidity situation; ▪ Proposed loan operation.
24 July 2013	▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).
25 September 2013	▪ Banco BPI's liquidity situation; ▪ Funding and Capital Plan; ▪ Repayment of the Hybrid; ▪ Selection of the Monitoring Trustee envisaged in the Restructuring Plan approved by the European Commission's Directorate General for Competition; ▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).
18 November 2013	▪ Between this meeting and the previous one, the Committee approved after circulating the documentation amongst its members a proposal to sell the subordinated debt portfolio of the insurance companies. ▪ This meeting dealt with the following matters: – Banco BPI's liquidity situation; – Repayment of the Hybrid; – Swap of subordinated issues by shares. ▪ Proposed limits for the Markets Room: – Country risks; – Financial Institutions; – Commercial Operations. ▪ Recovery Plan; ▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC); ▪ Financing to the State Business Sector.
10 December 2013	▪ Banco BPI's liquidity situation; ▪ Repayment of the Hybrid; ▪ Swap of subordinated issues by shares; ▪ Credit Operations to be submitted to the Board of Directors and Supervisory Board pursuant to articles 85 and 109 of the General Regime for Credit Institutions (RGIC).

29.3. Corporate Governance Committee

Terms of reference and activity

The function of the Corporate Governance Committee (Portuguese initials CGS) is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

Activity of the Corporate Governance Committee in 2013

Date	Resolutions / Matters
11 March 2013	▪ Consideration of BPI's situation relating to compliance with legal rules and regulations and the adoption of the CMVM's recommendations applicable to 2012;
	▪ Review of the BPI Group's proposed and preliminary Corporate Governance Report in 2012;
	▪ Review of Banco BPI activity in 2012 within the scope of its Social Responsibility, with the Committee having considered very positively the fact that the Bank, notwithstanding the constraints stemming from the particularly challenging economic landscape, having kept its commitments in the corporate social responsibility sphere – patronage, social solidarity, culture, education and research, innovation and entrepreneurship.

29.4. Nominations, Evaluation and Remuneration Committee

Terms of reference and activity

The Nominations, Evaluation and Remuneration Committee (CNAR) has as its principal functions issuing opinions on the filling of vacancies arising on the governing bodies and on the choice of Directors to be appointed to the Executive Committee, as well as performing the duties relating to remuneration policy contemplated in article 7 of Bank of Portugal Notice 10 / 2011.

Activity of the Nominations, Evaluation and Remuneration Committee in 2013

Date	Resolutions / Matters
19 April and 14 May 2013	▪ Evaluation of the performance of the Executive Committee members.

The full specification of the abovementioned specialist Committees' duties are laid down in the statutes and respective regulations. Both these documents are available for consultation on the Investor Relations web site (www.ir.bpi.pt), under the BPI Group's Governance section.

III. OVERSIGHT

30. Identification of the oversight body

The oversight function is entrusted to the Supervisory Board and to the Portuguese Statutory Auditor.

Terms of reference of the Supervisory Board

The Supervisory Board's core terms of reference are supervising the company's management, overseeing compliance with the Law and the Statutes, verifying that the annual report and accounts present a true and fair view, overseeing the Portuguese statutory auditors' annual audit and independence, as well as evaluating their work. The complete spectrum of this body's functions is set out in the statutes and respective regulations. Both these regulatory documents are available on the Investors' Relations web site, under the section "BPI Group's Corporate Governance".

31. Supervisory Board's composition

At 31 December 2013, the Supervisory Board had the following composition:

At 31 December 2013

	Date of first appointment	End of current term
Chairman		
Abel António Pinto dos Reis	23 Apr. 08	31 Dec. 13
Members		
Jorge de Figueiredo Dias	21 Apr. 99	31 Dec. 13
José Neves Adelino	23 Apr. 08	31 Dec. 13
Miguel Artiaga Barbosa	4 Dec. 12	-[1]
Alternates		
Rui Guimarães (alternate)	22 Apr. 09	31 Dec. 13
Francisco Olazabal (alternate)	22 Apr. 09	31 Dec. 13

According to article 22 of the Articles of Association, *"The Supervisory Board is composed of at least three and no more than five permanent members, and also two alternate members."*.

According to article 29 of the Articles of Association, "*The members of the governing bodies are elected for three-year periods and may always be re-elected, except for the members of the Supervisory Board, who shall only be re-elected for another two consecutive terms of office*".

32. Identification of the independent members of the Supervisory Board

The following table lists the members of the Supervisory Board who meet the independence criteria in terms of article 414(5) of the CCC.

	Independence (according to art.414(5) CCC)
Chairman	
Abel António Pinto dos Reis	Complies
Members	
Jorge de Figueiredo Dias	-[2]
José Neves Adelino	Complies
Miguel Artiaga Barbosa	Complies[3]
Alternates	
Rui Guimarães (alternate)	-
Francisco Olazabal (alternate)	-

33. Professional qualifications and other important curricular details

Consult the annex to the present report (p. 329).

34. Supervisory Board's Regulations

The Supervisory Board's functioning Regulations are available on the Investor Relations web site (www.ir.bpi.pt), under the section "BPI Group's Governance".

35. Number of meetings held and attendance rate

Member	Attendance rate (%)
Abel Pinto dos Reis	100
Jorge Figueiredo Dias	92
José Neves Adelino	92
Miguel Artiaga Barbosa	92

During 2013 the Supervisory Board held twelve meetings, at which all of its members were present, with three exceptions, as described in the Supervisory Board's Activity Report.

In addition to those meetings, the Supervisory Board attended 9 meetings of the Audit and Internal Control Committee.

1) Not applicable, given the special regime to which he is subject. 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 operations, the Minister of State and Finance 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) Mr. Miguel Artiaga Barbosa as the State's representative on Banco BPI's Supervisory Board. 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.
2) Is covered by article 414(c) of the CCC by virtue of having been re-elected for more than two terms of office on BPI's governing bodies.
3) Without prejudice to his subjection to a special statute stemming from the source of his appointment and the regime in terms of which it was effected, it is deemed to be justified to ascertain, also as regards Mr. Miguel Barbosa, compliance with the requirements of independence and the absence of the disqualifications envisaged in the law.

36. Positions occupied in other companies and other important functions exercised by the members of the Supervisory Board

Consult the annex to the present report (p. 329).

37. The Supervisory Board's involvement in the contracting of additional services from the external auditor

The Supervisory Board, through its specific opinions, reviews and decides, after having heard the Audit and Internal Control Committee, on the provision of additional services to the company and its Group companies, as well as the respective conditions, controlling the weight of the fees adjudicated relating to "Tax Consultancy Services" and "Other non Statutory Audit Services" relative to the total fees contracted.

Of the total services adjudicated to Deloitte in 2013, those referring to Tax Consultancy and Non-Statutory Audit Services represented 23.7%. The figure mentioned here may differ from the amount of the emoluments paid to Deloitte in the year due to a possible timing difference between the period to which the adjudication refers and the period of the actual provision of the service.

38. Other Supervisory Board functions

Besides the functions set out in point 37, the Supervisory Board's terms of reference include, amongst others,

With respect to the external auditor of the company:

- to submit to the Board of Directors the proposal concerning the external auditor to be contracted by the company, including not only the proposal about who should provide those services, but also the proposal for the respective remuneration;
- to represent the company, for any and all purposes, in relation to the external auditor, and act, notably, as the first contact of the company with the auditor and the first recipient of the respective reports;
- to ensure that the company provides the appropriate conditions for the external auditor to render its services;
- to oversee the independence of the external auditor;
- approving, after hearing the Audit and Internal Control Committee, the external auditor's annual work plan;
- evaluating the external auditors' work.

With respect to the Statutory Auditor:

- to propose its appointment to the General Meeting;
- to oversee the statutory audit of the accounting documents of the company;
- to oversee the independence of the Statutory Auditor and, within that framework, consider and decide, upon consulting with the Audit and Internal Control Committee, about the provision of additional services by the Statutory Auditor to the company and companies of its Group, as well as the conditions thereof.

As regards internal control:

- To verify, at Banco BPI and other companies of the Group subject to supervision on a consolidated basis, that the major targets set by the Bank of Portugal and the CMVM (the Portuguese stock market regulator) for internal control and risk management in the guidelines on supervision addressed to credit institutions and financial companies, are met.

The complete framework of the Supervisory Board's terms of reference is embodied in the statutes and the respective regulations. Both these documents are available for consultation on the Investor Relations web site (www.ir.bpi.pt), under the BPI Group's Governance section.

IV. PORTUGUESE STATUTORY AUDITOR

The Portuguese statutory auditor is appointed by the General Meeting following a proposal by the Supervisory Board. It can be a natural person or a company with the statutory auditor status. In addition to the member in office, an alternate member shall be appointed.

Terms of reference

The Portuguese statutory auditor is responsible for carrying out all the examinations and all the necessary verifications for the audit and certification of the accounts.

39. Details of the Statutory Auditor and the partner that represents said Auditor

Deloitte & Associados, SROC, S.A. (Deloitte), a member firm of the international network Deloitte Touche Tohmatsu (DTTL network), is the BPI Group's Portuguese Statutory Auditor and was elected in the General of Meeting of 27 April 2011 for the 2011 / 2013 three year period.

António Marques Dias is currently the partner in charge of the audit of Banco BPI's consolidated financial statements.

The Company's alternate Statutory Auditor is Dr. Carlos Luís Oliveira de Melo Loureiro.

40. Indication of the number of years in which the statutory auditor has worked consecutively with the company and / or the group

Deloitte & Associados, SROC, S.A. has exercised functions consecutively at the BPI Group since 2002.

41. Description of other services rendered by the ROC to the company

See point 47.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The firm Deloitte & Associados, SROC, S.A. (as identified in point 39 above) is similarly and for purposes of article 8 of the Securities Code, the Bank's External Auditor and is registered with the CMVM under number 231.

António Marques Dias is the partner representing the External Auditor.

43. Number of years in which the external auditor and the statutory audit partner representing the firm exercise functions at the BPI Group

The External Auditor, Deloitte & Associados, SROC, S.A., has exercised functions consecutively at the BPI Group since 2002.

António Marques Dias is the partner representing the External Auditor since 2011.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

BPI recognises and subscribes to the concerns manifested, amongst others, by the CMVM (Securities Market Commission), by the European Commission and by IOSCO – International Organization of Securities Commissions, amongst other entities, regarding the safeguarding of auditors' independence *vis-à-vis* the audit Client. BPI believes that this independence is essential for ensuring the public's trust in the reliability of their reports and in the credibility of the financial information published.

BPI is of the opinion that its auditors are independent within the context of the regulatory and professional requirements applicable and that their objectivity is not compromised. BPI has incorporated into its governance practices and policies several mechanisms which safeguard the independence of the auditors.

Indeed, the company which audits the BPI Group's accounts, as well as the persons in charge of the relevant audit work, has to the best of BPI's knowledge, no interest – effective or imminent – financial, commercial, employment, family or of any other nature – other than those which result from the normal course of their professional activity – in BPI Group companies, capable of leading a reasonable and informed third party to consider that such interests could compromise the auditor's independence.

On the other hand, the Portuguese Statutory Auditors Act (EOROC) provides that anyone who has served in the last three years as a member of a company's administrative or management bodies, cannot exercise the function of auditor of the same company. In the same manner, the Portuguese Statutory Auditor who in the last three years has acted as the Portuguese Statutory Auditor of companies or entities, is barred from exercising functions as a member of such companies' or entities' administrative or management bodies.

The EOROC furthermore provides that in the case of public-interest entities the maximum period for carrying out audit functions by the partner responsible for the direct organisation or execution of the audit is seven years, commencing from the date of his / her appointment, but may be appointed again after a minimum period of two years has elapsed.

Pursuant to the provisions of applicable legislation, the Supervisory Board verified the auditors' independence by means of: (a) the auditors' written confirmation of independence as envisaged in article 62-B of the EOROC; (b) the confirmation of compliance with the rotation requirements relating to the partner in charge and (c) the identification of the threats to independence and safeguard measures adopted for their mitigation.

BPI has adopted the principle of not entering into employment contract s with any person that has in the past been partner of the audit firm which has provided audit services to any BPI Group companies before at least three years have elapsed since the cessation of the provision of such services.

45. Indication of the body responsible for evaluating the external auditor and frequency with which this evaluation is carried out

The evaluation of the External Auditor falls within the Supervisory Board's terms of reference, in the terms explained in point 37 above. The evaluation is carried out annually.

46. Identification of non-audit work

See point 47.

47. Remuneration

Indication of the amount of the annual emoluments paid by the company and / or by the companies controlled by it or with a group relationship, to the Auditors and other natural or legal persons belonging to the same network, and details of the percentage referring to the following services (For purposes of this information, the concept of network is that which is defined in the European Commission's Recommendation no. C (2002) 1873, of 16 May):

Breakdown of the emoluments paid to Deloitte Amounts in th.€

	2012	2013
By the Company		
Statutory audit services	616	616
Assurance services	391	751
Tax consultancy services	70	179
Other non-audit related services	13	5
	1 089	**1 550**
By entities making up the group[1]		
Statutory audit services	569	575
Assurance services	523	343
Tax consultancy services	102	49
Other non-statutory audit services	0	249
	1 195	**1 216**
Total	**2 284**	**2 767**

1) By descending order of importance as regards the amount paid: Banco de Fomento Angola, Banco Português de Investimento, BPI Gestão de Activos, BPI Vida e Pensões, BPI Suisse, Banco BPI – Offshore de Macau, BPI Luxemburgo, Banco BPI Cayman, BPI Capital Africa, BPI Private Equity, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Dealer Moçambique and BPI Madeira.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. The rules governing amendment to the articles of association

In terms of article 30 of the Articles of Association, any amendment requires approval by a majority of two thirds of the votes cast at a General Meeting specially convened for this purpose, except for any amendment to article twelve, paragraphs four and five, article thirty-one, paragraph one, as well as to number two of article thirty, which requires approval by seventy-five per cent of votes cast.

The matters to which the above provisions refer and which require a majority of 75% of the votes cast in order to be amended are the following:

- article 12(4) and(5) – provisions which regulate the limitation of the number of votes cast by a shareholder and entities related to him / her and capable of being counted;
- article 31(1) – provision that lays down a special qualified majority for the company's dissolution;
- article 30(2) – provision that lays down that an alteration to the imposition of a qualified majority for the abovementioned matters can only be changed by the application of the aforesaid majority.

II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

The Supervisory Board is responsible in terms of article 420 j) of the CCC, for the receiving the communications of irregularities presented by Employees, Customers, Shareholders and any other entities.

BPI Employees must communicate to any one of the management or oversight bodies and, namely, to the Supervisory Board any irregular practices which they detect or are aware of or have justified suspicions of so as to prevent or impede irregularities which may cause financial damages to BPI or damage to the Bank's image.

The communication referred to above must be made in writing and contain all the details and information that the Employee has and which he / she considers necessary for evaluating the irregularity. The Employee may also request confidential treatment as regards the origin of the communication.

The communications of irregularities are received, opened and processed by the Advisor to the Supervisory Board, who shall be responsible for safeguarding the anonymity of all the relevant subscribers.

The Supervisory Board Advisor informs the respective Chairman of the communications of irregularities received who, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

Where the communications of irregularities warrant the intervention of the Bank's departments, namely of the Audit and Inspection Division, they are presented by the Supervisory Board's Chairman to the Chairman of the Board of Directors which will deal with them in the appropriate manner.

Copies of the reports produced by the DAI or by any other body so requested are sent to the Chairmen of the Supervisory Board, of the Board of Directors and of the Audit and Internal Control Committee.

The Supervisory Board's report discloses the number of communications of irregularity received and their status.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for the internal audit and for the implementation of internal control systems

The internal control system in existence at Banco BPI is founded on the objectives and guidelines laid down by the Board of Directors and the CACI. These are monitored closely by the last-mentioned Committee and are based on a structure which encompasses, amongst others, a Risk Control Division, an Audit Division and a Compliance Division.

This system's oversight and evaluation are undertaken by the Supervisory Board which not only functions in full liaison with the CACI but is also directly involved in the supervision of the principal risks and in the definition of the risk-management, compliance and internal audit programmes.

51. Explanation, even if by inclusion in the organisation chart, of the hierarchical and / or functional dependence relationships vis-à-vis the company's other bodies or committees

The BPI Group's overall risk management falls within the Board of Directors' Executive Committee's terms of reference. As concerns the Executive Committee, the risk divisions' portfolio is entrusted to a Director with no direct responsibility for the commercial divisions.

At senior level there are also two specialist executive committees: the Global Risk Executive Committee (overall market, liquidity, credit, country, operational risks) and the Credit Risks Executive Committee, whose attention is focused on the analysis of large-scale operations.

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

52. Other functional areas responsible for risk control

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group.

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

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

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

The management of operational risk at the BPI Group is entrusted to two specific bodies: the Operational Risk Committee and the Analysis and Operational Risk Management Area, as well as to members of each one of the Group's bodies charged with the identification and management of operational risks in their areas of activity.

The BPI Group's Compliance Division covers all areas, processes and activities of companies 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

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Performance Evaluation
Credit / counterparty risk	**DACR**: rating and scoring models (probabilities of default), and loss given default for all loan segments **DACR** and **DF**: external rating identification for debt securities and for credit to financial institutions **DRC**: Risk analysis, Rating for Corporates, Small Businesses, Project Finance and Institutional Clients **Rating Committee**: Rating for Institutional Clients and Derogation of Rating for Large Corporates **DRCP**: Expert System for loans to Individuals **DACR**: exposure to derivatives **DACR**: analysis of overall exposure to credit risk	**CECA**, **CERG**: overall strategy **CECA**, **CERC**: approval of substantial operations **Credit Board**, **DRC**, **DBI**, **DRCP**, **DF**: approval of operations	**CA** (with CRF advisory) **CECA**, **CERC**, **Credit Board**, **DRC**, **DRCP**, **DACR**, **DF**: limits **CA** (with CRF advisory), **CECA**, **CACI**, **CERC**, **CERG**, **Credit Board**, **DACR**, **DO**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DRCE**: Companies **DRCP**: Individuals and Small Businesses	**CECA**, **CERG**, **CERC**, **DCPE**, **DACR**, **All other Divisions**
Country risk	**DF**: analysis of individual country risk with recourse to external ratings and analyses **DACR**: analysis of overall exposure	**CECA** and **CERG**: overall strategy **DF**, **DA**: operations	**CA** (with CRF advisory) **CECA**, **CACI**, **CERG**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Market risk	**DACR**: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other	**CECA** and **CERG**: overall strategy **DF**, **DA**: operations	**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		
Liquidity risk	**DF**, **DA**: individual risk analysis of liquidity, by instrument **DACR**: analysis of overall liquidity risk	**CECA** and **CERG**: overall strategy	**CA** (with CRF advisory) **CECA**, **CACI**, **CERG**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		
Operating risks	**DACR**: analysis of overall exposure **DOQ** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **CRO** **DOQ**: regulations	**CECA**, **CERG**, **DOQ**, **DACR**: regulation and limits **CECA**, **CACI**, **DOQ**, **DACR**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control	**DJ**, **DAI**, **DO**, **Commercial Divisions**	**CECA**, **DOQ**[2]
Legal and compliance risks	**DJ**, **DC** **DC**: compliance risk analysis	**CECA**: compliance	**CECA**, **CACI**, **DJ**, **DC**, **Internal and external Auditors**[1], **Supervisory Board**, **Bank of Portugal**: control		

CA – Conselho de Administração (Board of Directors); **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **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); **DBI** – Direcção de Banca Institucional (Institutional banking Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

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

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

53. Details and description of the major types of risk

Risk management at the BPI Group is based on the permanent identification and analysis of exposure to different risks – credit risk, country risk, market risks, liquidity risk, operating and legal risks or other – and on the adoption of strategies aimed at maximising profitability within predefined (and duly supervised) limits. Management is complemented *a posteriori* by analysis of performance indicators.

In a separate chapter of the Directors' report and which is deemed to form an integral part of this report by reference, the main risks to which the Group is exposed in the conduct of its business are described (page 93).

54. Description of the procedure for identification, assessment, monitoring, control and risk management

The policy, procedures and allocation of powers amongst the Group's various bodies and departments on matters relating to the control and management of the Group's risks are described in detail in a separate chapter of the Directors' Report and are incorporated into this document by way of reference (pages 93 to 113).

55. Internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

The Investor Relations Division (DRI) is the body responsible for the preparation and disclosure of documents containing financial information – quarterly and annual results and annual and interim reports.

The above financial information and disclosure process is defined and the chief risks attaching to this process are identified in a mandatory-compliance internal regulation.

The execution of the controls prescribed for mitigating each risk has to be demonstrated internally and externally by the person in charge of their execution by means of the production of specific evidence for each case.

The process entails permanent dialogue with the heads of the divisions involved and with the Executive Committee. The documents to be disclosed and the respective timing of disclosure – depending on the document concerned – require the express approval of the Executive Committee and / or the Board of Directors. The aforesaid documents, in terms of the procedures envisaged for each situation, are also sent for review by the Board of Directors' consultative committees and / or by the Supervisory Board.

It is BPI's practice to release documents immediately after the stock market close on the actual day on which the Executive Committee or the Board of Directors approves them.

The preparation and disclosure of documents containing financial information is the object of annual assessment by the external auditors.

IV. INVESTOR ASSISTANCE

56. Department responsible for investor assistance

The Investor Relations Division has as its principal functions guaranteeing, to the Authorities and to the market, compliance with legal and regulatory reporting obligations to which Banco BPI is bound, responding to the information needs of investors, financial analysts and other interested parties, and lending support to the Executive Committee in aspects relating to Banco BPI's presence on the market as a listed entity.

Within the scope of the abovementioned responsibilities, of particular importance is the disclosure of information classified as "relevant fact", the furnishing of quarterly information concerning the Group's activity and results, and the preparation of the annual and interim reports and accounts.

BPI has, in its capacity as a listed company, been engaged in intensive communication activity with the market throughout 2013.

BPI participated in 9 conferences for investors dealing with the financial sector, both abroad – London, New York and Brussels – and in Portugal. As part of this activity, the Bank staged 120 individual meetings with institutional investors.

As regards the dissemination of results, BPI continued to hold meetings with analysts and investors in 2013 in order to discuss quarterly results. These meetings – which were attended by all the members of the Executive Committee of Banco BPI's Board of Directors – can be attended in person or by way of conference call, as well as being broadcast simultaneously and with free access by webcast, via the Bank's Investor Relations' web site.

Throughout the year, BPI maintained permanent contact with the financial analysts who cover the BPI share and who in 2013 were responsible for the production of 80 research reports on the Bank.

The DRI is composed of a team of four full-time Employees with the appropriate qualifications and experience in financial and communication matters.

57. Representative for relations with the market

The Representative for Relations with the Market is Luís Ricardo Araújo, also head of the Investor Relations Division.

58. Requests for information

As part of its functions, the DRI responds to various requests for information from shareholders, investors, financial analysts and other parties. When requests relate to information and clarification – via telephone, e-mail and letter,– about financial information, activity, dividends, general meetings and other issues of a similar nature, and when such information is public, then the response is generally immediate.

In the other situations – provided it falls within the DRI's jurisdiction – the response time depends on the nature and complexity of the request, the availability of information and the eventual need for obtaining contributions from the Group's other bodies or departments.

In general terms, all the documents issued for public dissemination by BPI within the scope of its relationship with the market (including preparatory documents for general meetings) are available for dispatch in digital format, upon request.

All the information of a public nature regarding the BPI Group can be requested from the Investor Relations Office via the contact page at the web site, by telephone, e-mail, fax or by letter.

INVESTOR RELATIONS CONTACTS

Address:	Rua Tenente Valadim, n.º 284 – 3.º 4100-476 Porto
Phone:	+351 22 607 33 37
Fax:	+351 22 600 47 38
E-mail:	investor.relations@bancobpi.pt
Web site:	www.ir.bpi.pt

V. WEB SITE

59. Web site address

BPI has a web site, available in English and in Portuguese, dedicated exclusively to the disclosure of information of an institutional nature about the Group. This web site is available at the address www.ir.bpi.pt.

In addition to other information, BPI's Investor relations web site contains the following information in Portuguese and English:

- the name, its status of a public limited company, the registered office and the other details referred to in article 171 of the Commercial Companies Code;
- the Statutes;
- the functioning regulations of the governing bodies and the Board of Directors' consultative committees;
- the identity of the persons sitting on the governing bodies and of the person representing relations with the market;
- the functions and means of access to the Investor Relations Division;
- during five years, the annual report and accounts for each year, half-year and quarter;
- the calendar of corporate events which includes, amongst other information, the meetings of the General Meeting and the disclosure of the annual, interim and quarterly accounts;
- the General Meeting Notices, as well as the proposals to be tabled for discussion and voting by the shareholders, with a minimum of 21 days' notice prior to the meeting date;
- the historical register with the resolutions passed at the Company's General Meetings, the share capital represented and the voting results relating to the preceding three years;
- in general, information which permits up-to-date knowledge about the BPI Group's situation and reality from the economic, financial and corporate governance standpoint.

Points 60 to 65 – Information Locations

The information envisaged in points 60 to 65 of the model annexed to CMVM regulation 4 / 2013 is available at www.ir.bpi.pt in the terms referred to in points 58 and 59 above.

D. REMUNERATION

I. POWER TO FIX REMUNERATION

66. Power to determine the remuneration of the Company's governing and Management bodies

The Remuneration Committee is the body charged with fixing the remuneration of the governing bodies.

The responsibility for determining management's remuneration policy is entrusted to the Board of Directors.

II. REMUNERATION COMMITTEE

Terms of reference

The Remuneration Committee (RC) is responsible for:

- fixing the remuneration of the members of Banco BPI's governing bodies, based on the opinion of the CNAR and within the framework of the compensation policy approved by the GM;
- defining the remuneration policy and applying the retirement regime for members of Banco BPI's Executive Committee (once again, within the framework of the compensation policy approved in GM) and the Board of Directors of Banco Português de Investimento;
- evaluating the members of Banco BPI's Executive Committee and of the Board of Directors of Banco Português de Investimento, with a view to determining the respective annual variable remuneration.

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of Bank of Portugal Notice 10 / 2011.

According to the statutes (article 28) at the time the General Meeting appoints the Remuneration Committee, the former must define that the term of office of the governing bodies which commences on the date of that resolution, the limits of the annual fixed remuneration of all the members of the Board of Directors and the maximum percentage of the profits, which cannot exceed 5%, that can be set aside each year for the variable remuneration of the members of the Executive Committee.

As regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, these must respect the limits prescribed by the General Meeting.

67. Composition of the remuneration committee

Pursuant to Banco BPI's statutes the Remuneration Committee (RC) is composed of three shareholders elected for three-year terms by the General Meeting, who in turn shall elect from amongst themselves the Chairman, who has the casting vote.

The Remuneration Committee is composed of independent members *vis-à-vis* the executive members of the Board of Directors.

In the performance of its duties, the RC can be assisted by the experts and external consultants that the Committee believes it should consult.

The Remuneration Committee does not resort to the services of natural or legal persons who are not independent because they are bound by an employment or service contract to the Board of Directors as well as, when applicable, because such persons have a current relationship with BPI's consultancy firm.

The Remuneration Committee's composition for the 2011 / 2013 term was approved by the Shareholders in the General Meeting of 27 April 2011 and has the following composition:

- Caixabank, S.A. represented by Isidro Fainé Casas;
- Arsopi Holding, SGPS, S.A. represented by Armando Leite de Pinho;
- HVF, SGPS, S.A. represented by Edgar Alves Ferreira.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

All the members of the Remuneration Committee currently occupy or have occupied in the past management positions at various other companies, and possess knowledge and experience in matters of remuneration policy.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the management and oversight bodies referred to in article 2 of Law no. 28 / 2009, of 19 June

Without prejudice to the detailed references relating to this matter which appear in the following paragraphs of this chapter, the complete content of the Remuneration Policy for the members of Banco BPI's Management and Oversight bodies in force for the period 2011 / 2013 is described as follows.

The present Remuneration policy was submitted to the General Meeting of 27 April 2011 and approved thereat, while its maintenance in force was subsequently confirmed at the General Meeting of 31 May 2012.

By virtue of the resolution passed by the Remuneration Committee on 26 June 2012 and the General Meeting resolution of 27 June 2012, which approved Banco BPI's Recapitalisation Plan, the aforesaid Remuneration Policy was the object of the following adjustments, designed to be in force during the period that the Capital Core Tier I instruments subscribed by the State are not wholly redeemed:

- Reduction of the amount of the combined fixed remuneration of the members of the Board of Directors and of the members of the Supervisory Board to 50% of the average amount of the remuneration paid to the members of these bodies in 2010 and 2011;
- Non-payment to the director members of the Executive Committee of any variable remuneration, but without prejudice to the Remuneration Committee continuing within the framework of the remuneration policy rules in force, to grant to these members of the Executive Committee variable remuneration provided that this is not paid until such time as the said instruments are fully redeemed.

By way of the General Meeting resolution of 24 April 2013 the aforesaid Remuneration Policy, with the adjustments approved in 2012, was confirmed, with its full updated content being the following:

> **"1. DEFINITION OF REMUNERATION POLICY**
> *Responsibility for defining the remuneration policy applicable to the members of the management and supervisory bodies lies with the Remuneration Committee, assisted (advised) by experts and external consultants who the Committee deems should be consulted.*
>
> ***1.1 Remuneration Committee***
> ***1.1.1 Terms of reference***
> *According to the provisions of article 28(2) of Banco BPI's Statutes, the remuneration of the members of Banco BPI's management and supervisory bodies is laid down by the Remuneration Committee after having heard, as regards the members of the Board of Directors who form part of the Executive Committee,(in this document referred to as executive Directors), the Nominations, Evaluation and Remuneration Committee (CNAR).*
>
> *The definition of remuneration envisaged in the preceding paragraph is, in terms of article 28(3) of the Statutes, done within the framework of the ceiling for the fixed remuneration of the Board of Directors' members, as well as of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year –, that can be allocated to the executive Directors variable remuneration, which may be fixed by the General Meeting at the beginning of each governing body's term of office.*
>
> *At least one member of the Remuneration Committee shall be present at Banco BPI's Shareholders' General Meeting.*
>
> ***1.1.2. Committee's composition***
> *In terms of Banco BPI's Statutes, the Remuneration Committee is composed of three shareholders elected every three years by the General Meeting, who shall appoint a Chairman from amongst their number and who shall have the casting vote.*
>
> *The Remuneration Committee is composed of independent members* vis-à-vis *the executive members of the Board of Directors and includes at least one member with knowledge and experience in the field of remuneration policy.*
>
> *The Remuneration Committee's composition for the three-year term 2011 / 2013 will be that which is approved at the Shareholders' General Meeting of 27 April 2011.*
>
> ***1.2 Comparisons used***
> *In setting the remuneration of the members of Banco BPI's management and supervisory bodies, the Remuneration Committee takes into due consideration the remuneration policies and practices of comparable Iberian banks.*
>
> ***2. GENERAL PRINCIPLES OF BANCO BPI'S REMUNERATION POLICY***
> ***2.1. Remuneration policy***
> ***2.1.1 For non-executive Directors and members of the Supervisory Board***
> *According to the provisions of article 28(1) of the Statutes, the remuneration of the non-executive members of the Board of Directors (Non-executive Directors) and of members of the Supervisory Board is composed exclusively of a fixed component, paid monthly, and excluding any variable component and, therefore, not dependent on Banco BPI's results. In the case of the non-executive Directors who sit on the Board of Directors' consultative and support bodies contemplated in the Statutes, that remuneration is increased by the amount of the respective attendance allowances.*
>
> ***2.1.2 For the executive Directors***
> *The remuneration of the executive Directors is composed of a fixed and a variable component.*
>
> *For its part, the variable component is composed of a portion payable in cash and a portion (hereinafter referred to the RVA Component) in Banco BPI shares and / or options to purchase of Banco BPI shares, awarded within the framework and in terms of the Regulations of the Variable Remuneration in Shares Scheme (hereinafter referred to as the RVA Regulations), which is attached hereto as Annex I) and other relevant rules.*
>
> *The RVA Component should represent at least 50% of the overall amount of the variable remuneration of each executive Director.*
>
> *The RVA Component, up to the limit of 50% of the overall amount of the variable remuneration of each executive Director, is made available subject to a deferment of 3 years, that is, it remains subject to the Deferment Period and the Condition for Access to Deferred Remuneration (as defined*

in the RVA Regulations), hereinafter referred to in this document as the Deferred RVA Component.

2.2 Overall limits applicable to the members of the management bodies

Banco BPI's Statutes attribute to the General Meeting the powers to define, valid for the term of office of the governing bodies which commences on the date of this resolution, of the limit:

i) of the annual fixed remuneration of the members of the Board of Directors;
ii) of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year – that can be allocated each year to the executive Directors variable remuneration.

For the three-year period 2011 / 2013 the Remuneration Committee proposes the following limits:

a) Limit of the annual fixed remuneration for the members of the Board of Directors: 4 000 000 euro; this limit is subdivided into the following partial limits:
   – Non-executive Directors (not including for this purposes attendance allowances): 1 400 000 euro;
   – Executive Directors: 2 600 000 euro.
b) Maximum percentage of the annual consolidated net profit which each year can be allocated to the variable remuneration of the group of executive Directors: 1%.

2.3 Specific limits of the variable remuneration of the Executive Directors

Executive Directors variable remuneration is subject to the rules described in various points of the present Remuneration Policy which are summarised next, rules via which one arrives at the limit on executive Directors variable remuneration in the case envisaged in article 2(3)(b) of Law 28 / 2009 of 19 June, that is, "in the case where the results evidence a meaningful deterioration in the company's performance in the last financial year or where this is expected in the year in progress":

a) Rule which provides that the variable remuneration limit for the executive Directors is defined according to Banco BPI's consolidated results, ensuring annually in this way an effective ceiling on that remuneration in the event of a negative trend in results;
b) Rule which provides that in fixing the overall amount of the variable component of the executive Directors remuneration, account is taken of the evolution of the overall amount defined for the variable remuneration of the universe of Banco BPI Employees, which in turn in that part relating to the Employees working in Portugal, depends on the pre-tax consolidated net profit from Banco BPI's domestic operations, ensuring also in this way the limit on the executive Directors variable remuneration in case of a negative trend in results;
c) Rule that envisages that at least 50% of executive Directors variable remuneration is composed of Banco BPI shares and / or options to purchase Banco BPI shares which the executive Director cannot freely dispose of for a period of 3 years (Deferred RVA Component), shares and options whose value reflects by nature and in these terms an exposure to the behaviour of the company's performance and to the price of its shares;
d) Subjection of the Deferred RVA Component to the Condition for Access to Deferred Remuneration and consequent loss of same if the aforesaid Condition for Access to Deferred Remuneration is not fulfilled in the terms contemplated in this same RVA Regulation.

On the other hand, the conjugation of the rules referred to in the preceding sub-paragraphs c) and d) with the fact that the duration of the executive Directors term of office is 3 years, ensures that a substantial portion of the variable remuneration (Deferred RVA Component) is effectively only paid after conclusion of the term of office and once the accounts for the latest financial year are approved, which materialises the possibility of what is referred to in article 2(3)(d) of Law 28 / 2009 of 19 June, that is, the "possibility that the payment of the variable component of remuneration, if it exists, takes place in whole or in part after the determination of the annual accounts corresponding to the entire term of office".

2.4 Alignment of interests

The present Remuneration Policy is aimed at, amongst other objectives, contributing to the alignment of executive Directors interests with those of the company and to the disincentive for the excessive assumption of risk. That contribution results, amongst other aspects:

a) from the relationship established in the terms set out in point 2.3 between the amount of the variable remuneration to be awarded each year and Banco BPI's consolidated results;
b) from the circumstance that the payment of a portion of this remuneration (of an amount corresponding at least to 50% of the overall amount of the variable remuneration) is deferred for 3 years;
c) from the fact that the aforesaid portion of variable remuneration is, as a rule, composed of Banco BPI shares and / or share options awarded within the framework and in the terms of the RVA Regulations; and, finally
d) from the fact that the Deferred RVA Component is subject to the Condition for Access to Deferred Remuneration.

2.5. Determination of remuneration

2.5.1 For the non-executive Directors and the members of the Supervisory Board

The actual remuneration of the non-executive Directors and of the members of the Supervisory Board is defined at the start of each three years by the Remuneration Committee, taking into account in their case the overall limit laid down by the General Meeting referred to in 2.2 a). The Remuneration Committee also defines at the start of each three-year period, the setting of the value of the attendance allowances payable to the non-executive Directors who sit on the Board of Directors' consultative and support committees contemplated in the Statutes.

2.5.2. For the executive Directors

2.5.2.1 Fixed remuneration

The fixing of the amount of the fixed remuneration of the executive Directors is undertaken by the Remuneration Committee, after having heard the CNAR, within the framework of the limit envisaged in 2.2.a).

The amount of this remuneration is adjusted annually by the application of the rate of increase identical to that which, under the CEA for the banking sector, is applied to level 18 remuneration.

2.5.2.2 Variable remuneration

The fixing of the overall amount of the variable component of the Executive Directors remuneration is undertaken by the Remuneration Committee, having heard the CNAR, based on their performance evaluation and taking in account:

a) Observance of the limit referred to in 2.2. b) above;

b) The policy adopted in this domain at peer (comparable) institutions, as defined in 1.2.

In fixing the overall amount of the variable component of the executive Directors' remuneration, although no automatic dependence relationship shall stem there from, the trend of the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration. In this respect, it will be recalled that in defining the overall amount of the variable remuneration of the universe of Banco BPI Employees who perform their functions in Portugal, one of the most important factors taken into account is the consolidated net profit before tax from Banco BPI's domestic operations.

2.6. Profit sharing

Banco BPI does not have a policy of remunerating its Directors through profit sharing.

2.7. Other benefits

2.7.1. Retirement benefits for executive Directors – principal characteristics

The management board members who are or were executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The management board members who are or were executive Directors (or, in the case of the previous governance model, members of the Management Board) also benefit under the defined-benefit regime from a supplementary pension approved at the Bank's General Board meeting of 25 July 1995 and which provides them a supplementary pension, the monthly amount of which depends on the monthly salary earned as executive Directors and the number of years they performed those functions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Meeting (and hereinafter referred to as the Retirement Entitlement Regulations).

The executive Directors are entitled to a supplementary retirement benefit, to which the Bank contributes a monthly amount equal to 12.5% of the amount of their fixed monthly salary which exceeds at any moment the amount of their fixed monthly salary at 31 December 2009, updated at the identical rate of increase which under the CEA is applied to level 18 remuneration.

The members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

i) the pensions paid by the Social Security which fall under any of the following three categories:
- *those relating to the functions performed at the BPI Group;*
- *those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;*

ii) the pensions paid by other BPI Group pension plans.

2.7.2 Other non-monetary benefits

BPI Group Directors do not benefit from other forms of remuneration – cash and non-cash – other than those referred to in this document or which stem from the normal application of the CEA or labour law.

3. SPECIFIC RULES APPLICABLE TO THE VARIABLE REMUNERATION OF EXECUTIVE DIRECTORS

As referred to in 2, only the executive Directors remuneration includes a variable component which, in addition to that set out in the preceding points, is also subject to the following rules:

3.1 Structure and composition of the variable component

The variable remuneration awarded to executive Directors is composed of a portion awarded in cash and a portion in Banco BPI shares and / or options to purchase such shares within the framework and under the terms of the RVA Regulations. As a rule, the variable remuneration portion of each one of the executive Directors which comprises shares and / or options to purchase Banco BPI shares must represent at least 50% of the overall amount of the respective variable remuneration.

3.2 Definition of the amount to be awarded

Once the overall amount of the remuneration has been defined in the terms referred to in 2.5.2.2 above, the determination of the actual amount of the variable remuneration to be awarded to each executive Director is done by the Remuneration Committee, taking into account the evaluation of each one's performance with reference to the financial year and to the period elapsed between the start of the term of office in progress, which in turn takes into consideration the following quantitative criteria:

a) Solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);
b) Profitability (ROE and net interest income and impairments) and Efficiency (cost-to-income ratio);
c) Market position (market shares);
d) Liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

On the other hand, qualitative criteria also encompass the Bank's reputation indicators and the level of Customer complaints.

The amount of executive Directors variable remuneration laid down by the Remuneration Committee is reduced by the amount of the remuneration earned from the exercise of functions at other companies on Banco BPI's instructions.

3.3 Award

The awarding of variable remuneration to the executive Directors is done in the first half of the year following that to which it relates, observing the provisions envisaged in the following points and such other terms which may be set by the Remuneration Committee (which date is designated according to the RVA Regulations as the Payment Date).

3.4 Payment

The portion of each executive Director's variable remuneration paid in cash, up to the 50% limit of the overall amount of this variable remuneration, is made available immediately on the Payment Date and without such availability being subject to conditions. The availability of the Deferred RVA Component is deferred for a period of 3 years commencing on the Payment Date (Deferment Period), which:

a) In the case of BPI shares, constitutes a suspensive term to which the respective transfer is subject; and,
b) In the case of options, constitutes the period after which they mature.

3.5 Access

Without prejudice to the above-mentioned payment conditions, the payment of the Deferred RVA Component is also subject to the fulfilment of the access condition (envisaged and termed in the RVA Regulations the Condition for Access to Deferred Remuneration).

The Condition for Access to Deferred Remuneration can be revised by the Remuneration Committee, after having heard the CNAR (although does not affect the awards already made).

3.6 Exceptional regime

In exceptional circumstances, the Remuneration Committee can deliberate that the Deferred RVA Component be paid in cash, with, in any case, the respective payment being subject, to the same extent that it would have been if paid in Banco BPI shares and options, to the suspensive term and the suspensive conditions envisaged in RVA Regulations for the awarding of shares and / or options.

4. DISCLOSURE AND REVISION

The present Remuneration Policy is disclosed on the intranet and on Banco BP's web site, and is available and accessible for consultation by any person.

The present Policy as well as its implementation will be the object of annual review by the Remuneration Committee, after having heard the CNAR, with the Remuneration Committee being responsible for presenting to the Shareholders the alterations it considers warranted."

70. Alignment of directors' interests with the company's long-term interests

As referred to in the actual text of the Remuneration Policy, it is aimed at, amongst other objectives, contributing to the alignment of the executive directors' interests with those of the company and the dissuasion of the assumption of excessive risks. That contribution results from, amongst other aspects:

- the relationship established, in the terms set out in point 2.3 of the Policy, between the amount of the variable remuneration to be granted each year and Banco BPI's consolidated earnings;
- the fact that payment of part of that remuneration (in the amount corresponding to at least 50% of the overall amount of the variable remuneration) is deferred for 3 years;
- the fact that the said portion of the variable remuneration being, as a rule, composed of shares and / or options for acquiring Banco BPI shares awarded within the framework and in the terms of the RVA Regulations (included in 3.6 of the present Report); and, finally
- the fact that the deferred RVA Component is subject to the Condition for Access to Deferred Remuneration.

71. Variable component of remuneration and impact of the performance e valuation on this component

The Executive Directors' remuneration is composed of a fixed and a variable component.

In turn, the variable component is composed of a cash portion and a portion (hereinafter called the RVA Component) in Banco BPI shares and / or options to acquire Banco BPI shares, awarded within the framework and upon the terms of the Regulations governing the Variable Remuneration in Shares Programme (Portuguese initials RVA) (available at the BPI web site – www.ir.bpi.pt) and the other rules relating to this scheme.

The RVA Component should represent at least 50% of the overall amount of each Executive Director's variable remuneration.

The fixing of the overall amount of the Executive Directors' variable remuneration component is done by the Remuneration Committee, after having heard the CNAR, based on their performance evaluation and bearing in mind:

a) observance of the maximum percentage of the annual consolidated net profit that can be appropriated to the executive directors' variable remuneration, as laid down in the remuneration policy approved by the General Meeting;

b) the remuneration policies and practices of comparable Iberian banks.

In fixing the variable component of executive directors' remuneration, the trend in the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration, although this does not mean that there is an automatic correlation between the two. In this respect, it will be recalled that in determining the overall amount of the variable remuneration for the universe of Banco BPI Employees who work in Portugal, one of the most important factors taken into account is the pre-tax consolidated net profit earned from Banco BPI's domestic operations.

72. Deferment of payment of the variable remuneration component

The RVA Component, up to the 50% limit of the overall amount of each executive Director's variable remuneration, becomes available subject to a deferral period of 3 years, that is, it remains subject to the Deferral Period and to the Condition for Access to Deferred Remuneration (as defined in the RVA Regulations).

73. Miscellaneous information about the variable remuneration in shares

The following are the criteria used as the basis for the awarding of variable remuneration in shares, as well as for the retention by the executive directors of those shares and for the entering into future contracts relating to those shares, namely hedging or risk transfer contracts, respective limit, and their relationship *vis-à-vis* the total annual remuneration:

Once the overall amount of the variable remuneration has been defined as set out in 72 above, the fixing of the actual amount of the variable remuneration to be awarded to each executive director is done by the Remuneration Committee taking into account each one's performance evaluation with reference to the year and period since the beginning of the current term of office, which, in turn, takes into account the following quantitative criteria:

a) solvency (solvency ratio, loan default ratios, foreclosed properties and the situation of the Bank's Pension Fund);

b) profitability (ROE, net interest income and impairments) and efficiency (cost-to-income ratio);

c) market position (market shares);

d) liquidity (transformation ratio of balance sheet resources into loans, maturity of medium / long-term debt and the level of ECB utilisation).

On the other hand, qualitative criteria are also considered, namely the Bank's reputation indicators and the level of Customer complaints.

The amount of compensation earned for the exercise of functions at other companies indicated by Banco BPI is deducted from the amount of the executive directors' variable remuneration as fixed by the Remuneration Committee.

The awarding of variable remuneration to the executive directors is effected on a date in the first half of the year following that to which it refers, in compliance with the rules laid down in the following points and under such other terms as may be fixed by the Remuneration Committee (which date according to the RVA Regulations is known as the Payment Date).

The portion of each executive director's variable remuneration paid in cash is, up to the 50% limit of the overall amount of that variable remuneration, immediately available on the Payment Date and without such availability being subject to conditions. The availability of the Deferred RVA Component shall be suspended for a period of 3 years commencing from the Payment Date (Deferral Period), which:

- in the case of BPI shares, constitutes the suspensive term to which the respective transfer remains subject; and,
- in the case of options, constitutes the period the course of which is necessary for them to mature.

Without prejudice to the above-mentioned payment conditions, payment of the Deferred RVA Component is also subject to the ascertainment of the following access condition (envisaged and termed in the RVA Regulations as Condition for Access to Deferred Remuneration):

Condition for Access to Deferred Remuneration: Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the financial year immediately preceding that on which the Deferral Period Completion Date is higher than Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the Reference Year; for purposes of this condition:

- the amount (considering the nominal value of the shares subscribed and, where applicable, the respective issue premium) of any capital increases by cash injections occurring in this period must be deducted from the shareholders' equity position of the year immediately prior to that in which the Deferral Period Completion Date occurs;
- the amount of the dividends actually distributed with respect to the years referred to in the above indent must be disregarded (or, if such is the case, the fact that there was no distribution), considering instead an amount equal to 40% of the net profit reflected in Banco BPI's consolidated accounts for the aforesaid financial years;
- the shareholders' equity situation must be calculated based on the accounting rules in force and applied in the Reference Year.

The Condition for Access to Deferred Remuneration must be revised by the Remuneration Committee, having heard the CNAR (not affecting however the awards already made).

74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the exercise price

As the awarding of variable remuneration in options is one of the components of variable remuneration, its awarding is based on exact assumptions and the criteria indicated above in point 73 for the awarding of shares, with the deferral period being 3 years.

According to the RVA Regulations, the exercise price of the options awarded to the members of the Executive Committee is approved by the Remuneration Committee.

The Exercise Price shall be adjusted in the case of:

a) there being a change in BPI's share capital, except in capital increases with cash calls in which the shareholders have renounced their pre-emption rights;

b) there being a distribution of dividends and / or reserves to BPI shareholders, except where BPI's Board of Directors considers that such operation does not have a significant effect on the value of the shares;

c) the Executive Body considers that a fact has occurred of a nature similar to that which substantially reduces the value of BPI shares.

In the cases envisaged in sub-paragraph a), there shall be, together with the adjustment to the exercise price, an adjustment to the quantity of options awarded which, according to the criterion envisaged in the following paragraph, becomes necessary.

The above foreseen adjustments shall be made, in the terms determined by the Remuneration Committee, in such a manner that the Director's position remains substantially identical to that which existed before the occurrence of the facts that gave rise to them.

The following are the exercise prices applicable to BPI shares and to the BPI share options awarded under the various major RVA Programmes:

Summary table of the RVA programmes

Amounts in euro

Plan	Award date	Acquisition amount[1]	Shares – Availability date of the tranches 2nd	3rd	4th
RVA 2012	19-12-2012	0.866	19-12-2013	19-12-2014	19-12-2015
RVA 2011	28-05-2012	0.366	28-05-2013	28-05-2014	28-05-2015
RVA 2010	29-04-2011	1.108	29-04-2012	29-04-2013	29-04-2014
RVA 2009	11-03-2010	1.722	11-03-2011	11-03-2012	11-03-2013

1) Award amount after the effect of Banco BPI's capital increases which took place in May 2011 and August 2012.

Amounts in euro

Plan	Options					
	Award date	Acquisition amount	Exercise price		Exercise period	
			Initial	Adjusted[1]	From	To
RVA 2012	19-12-2012	0.2770	0.866	0.866	19-03-2013	19-12-2017
RVA 2011	28-05-2012	0.124	0.366	0.358	29-08-2012	28-05-2017
RVA 2010	29-04-2011	0.2765	1.245	1.108	30-07-2011	29-04-2016
RVA 2009	11-03-2010	0.367	1.935	1.722	12-06-2010	11-03-2015
RVA 2008	16-03-2009	0.374	1.413	1.258	17-06-2009	16-03-2014
RVA 2007	21-03-2008	0.410	3.330	2.847	23-06-2008	21-03-2013

1) Exercise price after the effect of Banco BPI's capital increases which took place in May 2011 and August 2012.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

BPI Group Directors do not benefit from other forms of remuneration – cash and non-cash – other than those referred to in this document or in the notes to the financial statements or which stem from the normal application of the CEA or labour law.

In the notes to the financial statements "4.51 Related parties" information is given about the loans granted to the Executive Directors for the acquisition of their own homes and the loans granted for the acquisition and maintenance of the BPI shares resulting from the exercise of the options awarded under the RVA programme (as is the case with Employees), and about the various insurance policies which the Executive Directors benefit from.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The management board members who are or were executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The management board members who are or were executive Directors (or, in the case of the previous governance model, members of the Management Board) also benefit under the defined-benefit regime from a supplementary pension approved at the Bank's General Board meeting of 25 July 1995 and which provides them a supplementary pension, the monthly amount of which depends on the monthly salary earned as executive Directors and the number of years they performed those functions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Meeting (and hereinafter referred to as the Retirement Entitlement Regulations).

The executive Directors are entitled to a supplementary retirement benefit, to which the Bank contributes a monthly amount equal to 12.5% of the amount of their fixed monthly salary which exceeds at any moment the amount of their fixed monthly salary at 31 December 2009, updated at the identical rate of increase which under the CEA is applied to level 18 remuneration.

he members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

- the pensions paid by the Social Security which fall under any of the following three categories:
  - those relating to the functions performed at the BPI Group;
  - those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;
  - the pensions paid by other BPI Group pension plans.

The principal features of the executive directors' retirement benefits scheme are set out in the Regulations which are reproduced next:

"Article 1

1. The members of Banco BPI's Management Board are entitled to retire as set out in the Articles of Association and herein established, provided that the following conditions are met:

a) They have reached the age of 60 or became incapacitated to perform their duties;

b) Being, at the time when the facts referred to in the preceding sub-paragraph occur, elected to the post of Manager or, if they are not, they meet the requirements set out in article 4;

c) They have held such office for at least 3 years, consecutive or intermittent.

2. For purposes of the requirement envisaged in sub-paragraph c) of the preceding number, the following is counted:

a) The entire length of tenure as a Director, even before these Regulations;

b) The entire length of tenure as a Director, before the alteration to the Bank's structure and as SPI – Sociedade Portuguesa de Investimentos, SARL's Director.

3. If Banco BPI, S.A.'s structure is changed again to Board of Directors instead of Management Board, the provisions herein set out shall still apply to Directors' retirement, as the aim is to regulate the retirement entitlement of the members of this bank's management body.

Article 2

1. Retirement entitles the beneficiaries to receive from the Bank a pension calculated on the basis of the amount of the fixed monthly remuneration as at 31 December 2009 for the Management Board post corresponding to that which they occupied at the date the conditions envisaged in article 1 are met, updated at the identical rate of increase as that, according to the Collective Employment Agreement for the banking sector, which is applied to level 18 remuneration.

2. The pension amount shall be that which results from the application of the percentages given below to the compensation referred to in paragraph 1 of this Article, depending on whether it is a disability to perform the duties or retirement age, and shall be calculated according to the number of years in which the office as member of the Board has been held:

No. of years the office as member of the Management Board was held	***Disability to hold the office***	***Mandatory Retirement (age limit)***
> 3	*25%*	*-*
> 4	*30%*	*-*
> 5	*35%*	*-*
> 6	*40%*	*-*
> 7	*45%*	*-*
> 8	*50%*	*-*
> 9	*55%*	*30%*
> 10	*60%*	*40%*
> 11	*65%*	*50%*
> 12	*70%*	*60%*
> 13	*75%*	*70%*
> 14	*80%*	*80%*
> 15	*90%*	*90%*
> 16	*100%*	*100%*

3. The retirement pension, fixed under the terms of the preceding paragraphs, shall be updated annually by the CPI rate of change.

4. Irrespective of the provisions set forth in Article 1 (1) (c), if disability results from accident at work or illness caused by work, the beneficiary is entitled to a pension in an amount which results from the application to the compensation referred to in paragraph 1 of this Article of a percentage that, as from 10%, shall grow as much for each full year of tenure as member of the Management Board, other than the first year, up to 100%.

5. For purposes of the application of the provisions of the preceding numbers, where the beneficiaries have exercised management functions at any Bank controlled by Banco BPI with head office in Portugal, whether these were exercised before or after the acquisition of that control, the relevant number of years exercise of functions (first column of table no. 2) shall correspond to the sum of the number of years during which the exercise of the office of Management Board member was exercised and the number of years of the exercise of management functions at the foresaid Bank(s) controlled by Banco BPI.

Article 3

1. For the purposes provided herein, the right to reach statutory retirement may be exercised when the Director reaches 60 years of age or is incapacitated to remain in office.

2. Any Director wishing to retire shall inform the General Board that, within 3 months from the date the notice is served, conditions herein set are met.

3. If the grounds for reaching retirement is a disability, the General Board may, if deemed fit, require that the Director be submitted to medical examination by experts appointed by the Board for the purpose.

Article 4

1. Whoever has completed 9 years, consecutive or interspersed, of the exercise of the office of Manager and who, having so ceased to exercise it, if he / she remains in management functions at any Bank controlled by Banco BPI until reaching the age of 60, in other functions at the last-mentioned or at a BPI Group company, or in functions outside the BPI Group but in the latter's interest or at the latter's instruction, upon reaching that age, or if before reaching that age becomes incapacitated for exercising such functions, acquires the right to start receiving a retirement pension which will be calculated by the application of the percentages indicated in article 2(2) for the situation of reaching retirement age to the amount of the salary referred to in article 2(1).

2. The amount of the pension referred to in the in the preceding paragraph shall be:

a) revised under the terms set out in paragraph 3 of article 2;

b) reduced by 20%, in case the beneficiary no longer is part of BPI' s Management Board or of the management bodies of the banks listed therein, due to relinquishment of his / her posts on unfair grounds, or, if not re-elected, ceases to serve the BPI Group before attaining 60 years of age.

Article 5

1. In case of death of any Director who is retired, or who is still holding office but has already acquired rights pursuant to Article 4 of these Regulations, his / her relatives are entitled to a survivor's pension.

2. The amount of the survivor's pension provided for in the preceding paragraph shall be calculated based on the pension to which, pursuant to these Regulations, the beneficiary would be entitled if he / she were already retired, or on that already actually earned, as appropriate, and shall be revised annually by the CPI rate of change.

3. The percentages and conditions for granting a survivor pension to the relatives of the deceased Director shall be governed, in the part not specifically provided for in these Regulations, by the rules of the social security general scheme in force, which is attached hereto as Annex I.

Article 6

1. Pensions referred to in the preceding articles shall be deducted of the entire amount of pensions received or to be received by beneficiaries for their years of service at the BPI Group, or which the BPI Group may have acknowledged for said purpose.

2. If and when the interested party is entitled to the pensions referred to in the preceding paragraph, it shall apply for them and notify the Bank that they have been awarded and of any changes to the amounts – otherwise, the Bank shall not pay the pension due – substantiating, upon request, the amounts actually received for the Bank to calculate the amount of the pension to be paid or any repayment to be made by the beneficiary to the Bank.

3. The pensions set out herein shall be paid 14 times a year: twelve in the calendar months, one in June and the other before Christmas.

4. Any Director removed from the Management Board on fair grounds, or who has lost its mandate, as well as any Director not re-elected on fair grounds for dismissal, shall lose any right it may have acquired.

Article 7

1. The Bank may transfer any liabilities arising from the retirement entitlement herein ruled to an insurer or any pension fund.[1]

2. Such transfer requires prior written agreement of the beneficiaries whenever it causes changes to retirement conditions or a reduction in benefits or guarantees that they had been enjoying.

3. Insurance contracts against the risk that the Bank is extinguished shall be made, at the Bank's expense, ensuring, besides the extinction, that pensions continue to be paid.

4. The Management Board is authorised to enter into the insurance contracts mentioned in the preceding paragraph.

Article 8

Any expedient action resulting from the application of these Regulations, including the starting of retirement proceedings shall be organised by the relevant departments of the Bank.

Article 9

The General Board may delegate to the Compensation Committee the powers conferred in article 3, as well as any issues concerning the interpretation and integration of these Regulations.

Article 10

These Regulations replace those entered into force on 29 November 1990 but, for Board Members currently in office, apply only to those who, until 31 December 1995, opt for being subject to these Regulations."

1) In December 2006, the liabilities for defined-benefit retirement and survivors' pensions of the BPI Group's Banks were transferred to an open-end pension fund (Fundo de Pensões BPI Valorização).

IV. REMUNERATION DISCLOSURE

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

Following the presentation of the request for access to public investment (in terms of Law 63-A / 2008, of 24 November) and the approval by the General Meeting of 27 June 2012 of the adjustments to the Remuneration Policy which were identified in point 69 of this Report, the Remuneration Committee deliberated the corresponding reduction in the fixed remuneration of the members of the Board of Directors and of the Supervisory Board to the annual figure of 2 806 519 euro, that is, 50% of the average remuneration earned in 2010 and 2011.

Considering the abovementioned limit, the Remuneration Committee deliberated on 26 June 2012 the decrease in the overall annual amount of remuneration of the members of the Board of Directors to 2 629 thousand euro.

In 2013, the fixed remuneration for all the members of the Board of Directors amounted to 2 629 thousand euro.

Added to this figure were 41 672 euro in seniority payments and 13 596 euro relating to the long-service bonus (in terms of the Collective Employment Agreement for the Banking Sector), and in the case of the Board's non-executive members, 103 600 euro in attendance allowances.

Remuneration of the Board of Directors' non-executive members

The remuneration of the non-executive members of the Board of Directors in 2013 amounted in aggregate terms to 485 100 euro and includes regular fixed remuneration, paid in 14 instalments, in the amount of 381 500 euro, and the payment of attendance allowances at meetings of Board of Directors Committees in the amount of 103 600 euro.

The **amounts earned individually** were as follows: **Artur Santos Silva** earned a fixed remuneration of 63 000 euro for serving as Chairman of the Board of Directors. Added to this amount was the payment of attendance allowances in the amount of 16 650 euro: 14 800 for participating in the Financial Risks Committee and 1 850 euro for participating in the Corporate Governance Committee. **Alfredo Rezende Almeida** earned a fixed remuneration of 24 500 euro, plus an amount of 18 500 euro in attendance allowances for participating in the Audit and Internal Control Committee. **António Lobo Xavier** earned a fixed remuneration of 24 500 euro, plus an amount of 3 700 euro in attendance allowances for participating in the Nominations, Evaluation and Remuneration Committee. **Armando Leite Pinho** earned a fixed remuneration of 24 500 euro, plus an amount of 1 850 euro in attendance allowances for participating in the Corporate Governance Committee. **Carlos Moreira da Silva** earned a fixed remuneration of 24 500 euro, plus an amount of 3 700 euro in attendance allowances for participating in the Nominations, Evaluation and Remuneration Committee. **Edgar Alves Ferreira** earned a fixed remuneration of 24 500 euro, plus an amount of 18 500 euro in attendance allowances for participating in the Audit and Internal Control Committee. **Herbert Walter** earned a fixed remuneration of 24 500 euro. **Ignacio Alvarez-Rendueles** earned a fixed remuneration of 24 500 euro, plus an amount of 12 950 euro in attendance allowances for participating in the Audit and Internal Control Committee. **Isidro Fainé Casas**, earned a fixed remuneration of 24 500 euro. **Juan María Nin**, earned a fixed remuneration of 24 500 euro. **Klaus Dührkop** earned a fixed remuneration of 24 500 euro. **Marcelino Armenter Vidal** earned a fixed remuneration of 24 500 euro, plus an amount of 18 500 euro in attendance allowances for participating in the Financial Risks Committee (14 800 euro) and for participating in the Nominations, Evaluation and Remuneration Committee (3 700 euro). **Mário Leite da Silva** earned a fixed remuneration of 24 500 euro, plus an amount of 7 400 euro in attendance allowances for participating in the Audit and Internal Control Committee. **Tomaz Jervell**, earned a fixed remuneration of 24 500 euro, plus an amount of 1 850 euro in attendance allowances for participating in the Corporate Governance Committee.

Remuneration of the Executive Committee

The total remuneration (fixed) payable in 2013 to Banco BPI's Executive Committee for the exercise of its functions amounted to 2 247 472 euro. Added to this figure are 41 672 euro in seniority payments and 13 596 euro relating to the long-service bonus. In 2013 no variable remuneration was paid to the members of the Executive Committee.

As referred to previously, in terms of point 6.5 of the Recapitalisation Plan, the members of the Executive Committee will not be paid any variable remuneration during the period of public investment.

The total remuneration earned individually in 2013 by the members of the Executive Committee was as follows, (being the fixed remuneration paid in 14 instalments): **Fernando Ulrich** (Chairman): fixed remuneration of 412 609.54 euro. Added to this amount is the payment of 7 201.60 euro related to seniority payments and 5 814.37 euro relating to the long-service bonus. **António Domingues** (Deputy-Chairman): fixed remuneration of 378 225.40 euro. Added to this amount is the payment of 5 539.52 euro relating to seniority payments. **António Farinha Morais**: fixed remuneration of 291 327.40 euro. Added to this amount is the payment of 9 457.05 euro relating to seniority payments. **José Pena Amaral**: fixed remuneration of 291 327.40 euro. Added to this amount is the payment of 5 539.66 euro related to seniority payments. **Manuel Ferreira da Silva**: fixed remuneration of 291 327.40 euro. Added to this amount is the payment of 5 539.66 euro related to seniority payments and 5 713.91 euro relating to the long-service bonus. These amounts refer to remuneration earned from Banco Português de Investimento (fixed remuneration of 229 749.05 euro) and from Banco BPI (fixed remuneration of 72 831.92 euro). **Maria Celeste Hagatong**: fixed remuneration of 291 327.40 euro. Added to this amount is the payment of 5 539.66 euro related to seniority payments. **Pedro Barreto**: fixed remuneration of 291 327.40 euro. Added to this amount is the payment of 2 855.10 euro related to seniority payments and 2 068.01 euro relating to the long-service bonus.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

With the aforementioned exception of the director Manuel Ferreira da Silva explained in point 77, no other member of the Executive Committee received any remuneration from any Group company other than Banco BPI.

79. Remuneration paid in the form of profit sharing and / or the payment of bonuses and the reasons why those bonuses and / or profit sharing were granted

In 2013 the members of the Executive Committee were not paid any variable remuneration.

It should be noted that in terms of point 6.5 of Banco BPI's Recapitalisation Plan, during the public investment period, the Executive Directors should not be paid any variable remuneration, but without prejudice to the Remuneration Committee being able to continue carrying out the annual performance evaluation of the members of the Executive Committee of the Board of Directors and the determination of the amount of the variable remuneration that they would be entitled to under the rules of the Remuneration Policy approved by the General Meeting of April 2011, the payment of which will be dependent on a decision of the Remuneration Committee then in office and to be taken after the full repayment of the public investment.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

There was no payment in 2013 arising from early termination of employment contracts.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28 / 2009 of 19 June

Considering the limit referred to in point 77 the Remuneration Committee deliberated on 26 June 2012 the reduction of the annual overall amount of the remuneration of the members of the Supervisory Board to 177 547 euro.

In 2013, the aggregate remuneration of the members of the Supervisory Board, amounted to 177 547 euro[1].

The gross amounts earned individually are as follows: **Abel Pinto dos Reis** (Chairman) earned 65 017.26 euro; **Jorge Figueiredo Dias** earned 56 264.88 euro; **José Neves Adelino** earned 56 264.88 euro.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In 2013, the overall amount of remuneration for the exercise of the function of **Chairman of the General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the General Meeting Committee do not benefit for this fact from any retirement entitlement.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual limitations envisaged for the indemnity payable for the removal of a director without just cause and its relationship with the variable component of remuneration

On this subject, Article 403(5) of the Commercial Companies Code provides that: "If the dismissal is not founded on just cause, the director is entitled to an indemnity for the damages suffered, in the manner stipulated in the contract entered into with him / her, or in the general terms of the law, while such indemnity shall not exceed the amount of the remuneration he / she would presumably have received up till the end of the period for which he / she was elected."

There are no contractual limitations / conditions envisaged for the indemnity payable for a director's dismissal without just cause.

84. Agreements between the company and the members of the management board and managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company

There are no agreements between BPI and the members of management body or managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company, except those stemming from applicable general law.

1) The Supervisory Board also includes Dr. Miguel Barbosa, the State representative sitting on this board, who was appointed by way of Dispatch no. 15463-B / 2012of 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 (in the wording prior to the alteration made by Law 1 / 2014 of 16 January) 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. The monthly remuneration was fixed at 4 644.09 euro, with the result that the total remuneration paid in 2013 was 65 017 euro.

VI. SHARE-ALLOCATION AND / OR STOCK OPTION PLANS

85. Details of the plan and the number of persons included therein

The BPI Group has since the beginning of 2001 a variable remuneration in shares programme (RVA programme) whose beneficiaries are the Group's Executive Directors and Employees, and which entails annually the granting of a part of the variable remuneration in the form of Banco BPI shares and options to buy Banco BPI shares.

The RVA scheme constitutes an important instrument for the management of the Group's human resources and reinforces the alignment of the Directors' and Employees' interests with the ultimate goal of Management and the Shareholders – the creation of value – given that the income earned by Directors and Employees alike becomes intrinsically associated with the appreciation of the BPI share on the stock exchange, while the relative importance of the RVA incentive scheme rises with the level of responsibility.

The RVA regulations embrace Banco BPI's Executive Committee, the Board of Directors of Banco Português de Investimento, as well as all the Group's Employees whose annual variable remuneration is equal to or more than 2 500 euro.

Indeed, the proportion of the RVA incentives in the variable remuneration of the members of the Executive Committee is 50%, and between 35% and 10% for the remaining Employees.

The proportion of the RVA incentives in the variable remuneration of the Chairman and Vice-Chairman of the Executive Committee is no smaller than 50%. It should be underlined that according to that referred to in point 77, in compliance with the Bank's Recapitalisation Plan, no variable remuneration relating to 2013 was paid to the members of Banco BPI's Executive Committee.

Number of beneficiaries covered by the RVA programmes currently in force:

	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
Directors	12	3	6	0	0
Employees	304	201	94	66	135

86. Characterisation of the share and options incentive plan

In the notes to the financial statements "4.49. Variable remuneration in shares programme (RVA)" of the present Report and Accounts (page 263), to which the reader is referred, a detailed description of the RVA Programme is presented and which includes, namely, the award conditions, the clauses barring the disposal of sales, the criteria relating to the prices of shares and the exercise price of options, the period during which the options can be exercised, the characteristics of the shares or options to be awarded, the existence of incentives for the acquisition of shares and / or the exercise of options).

Credit line for the exercise of options

At the start of 2004, a credit line for the Bank's Employees and Executive Directors who wish to exercise the RVA options was made available.

As regards the use of the credit line by members of the Executive Committee, the Supervisory Board has given its approval, at the same time as the Bank of Portugal as well as the Remunerations Committee were informed.

According to the conditions in force at 31 December 2011, this credit line provides at the moment of utilisation an amount with a minimum limit of 2 500 euro and up to 75% of the market value of the shares to be purchased as a consequence of the exercise of the respective options, with a maximum amount of 100% of the amount needed to exercise the options.

The original conditions of the loans in question were as follows:

- **Period** – 4 years (extendable for a similar period).
- **Repayment** – At the end of the period, with the possibility of making partial or total early repayments without penalties.
- **Interest** – The outstanding principal earns interest at the 12-month Euribor plus 0.75 percentage points (or of 1.5 percentage points from the moment of the extension).

On 25 July 2011 the Board of Directors, without the participation of the Executive Committee members, approved the following alterations to the conditions of the aforementioned loans applicable to the Executive Directors and to Employees:

1. The term of the loans can, at the request of the borrowers, be extended so that their maturity date becomes 31 May 2020;
2. The loan interest rate becomes the rate corresponding to the 6-month Euribor ruling at the antepenultimate working day prior to the commencement of each period for the accrual of interest; this rate is applicable to the interest period in progress at the date of approval of these measures, as well as to the ensuing interest periods;
3. At the request of borrowers, the interest whose maturity date is situated in a year in which Banco BPI does not distribute dividends can be capitalised;
4. The obligation to reinforce guarantees is suspended until 31 December 2015;
5. All the other credit line conditions remain in force, namely those relating to when an Employee or an Executive Director cease to be employed by the Bank (in this case, provided not

substituted by a work relationship with Banco BPI or a BPI Group company, namely:

a) The rule in this situation is that the loan matures, save where the Bank informs the borrower that it agrees to maintain the loan, in which case the consequences as regards the rate of interest envisaged in the Regulations shall apply;

b) However, if this situation is due to retirement, such maturity shall not apply, with the term of the loan and the other conditions in effect at the retirement date remaining in force without any modification;

6. In the event of the Employee's or the Executive Director's death, all the conditions attaching to the respective loan which are in force on that date shall continue to apply;

7. For Employees who are interested, the following operation is made possible:

a) Pledge in lieu of the shares blocked, at their market value (closing price on the date before the pledge) and decrease in the outstanding loan by this amount, providing that:

i. compliance with the rules laid down in the General Meeting authorisation in force for the acquisition of treasury shares;

ii. guarantees are given which the Bank considers to the adequate for the balance of the remaining debt;

b) Application to the amount of the remaining debt of the conditions 1 to 6.

The share incentive and options scheme in force at BPI – known as the RVA Programme – is regulated by the provisions set out in the scheme, as well as by the provisions appearing in its Regulations, known as the Regulations for the Variable Remuneration in Shares Programme – RVA.

Approval by the General Meeting of Shareholders of the RVA program and its Rules

The general lines of the RVA were approved by the General Board (governing body which existed until 1999) which, in terms of the law then in force, was necessarily composed of Shareholders).

At the GM of 21 April 1999, the Chairman of the Board of Directors placed for the Shareholders' consideration a proposal to authorise the acquisition and disposal of treasury shares by the Company, which acquisitions and disposals were destined, amongst other purposes, to make possible the execution of the aforesaid incentive scheme. This proposal is renewed every year for the same purpose.

In addition, at the General Meeting of 20 April 2005 the Chairman of the Board of Directors presented to the Shareholders the objectives, characteristics, composition and extent of the share incentive scheme (RVA) adopted by Banco BPI, having disclosed the figures relating to the application of the RVA scheme.

At the General Meeting held on 27 April 2011, a proposal was submitted to the Shareholders to amend the RVA scheme regulations, which proposal was approved by 99.4% of the votes cast, with the complete text of the aforesaid regulation having been made available at that time.

The maintenance in force of the aforesaid Regulations was the object of confirmation by the Shareholders at the General Meeting of 24 April 2013.

87. Option rights awarded for the acquisition of shares ('stock options'), the beneficiaries of which are the company's workers and Employees

At 31 December 2013 BPI Employees were the holders of 8 204 534 options over BPI shares, as shown in the table below.

RVA Programme	No. of options held by Employees	Exercise price	Exercise limit date
RVA 2008	2 474 467	1.258€	16 Mar. 2014
RVA 2009	2 313 307	1.722€	11 Mar. 2015
RVA 2010	848 266	1.108€	29 Apr. 2016
RVA 2011	449 474	0.358€	28 May 2017
RVA 2012	2 119 020	0.866€	19 Dec. 2017

88. Control mechanisms envisaged in an eventual system of Employee participation in the share capital to the extent that the voting rights are not exercised directly by those Employees (art. 245-A(1)(e))

Neither the RVA Programme nor its Regulations contemplate any control mechanisms for the situation in which voting rights are not exercised directly by the Employees to whom BPI shares have been awarded in execution of those rights.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company for purposes of controlling related party transactions

The entering into business operations between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the Securities Code, is always submitted beforehand to the Supervisory Board of its opinion, irrespective of the amount involved.

The Bank keeps in its centralised IT applications:

- an updated list of the entities falling under the concept of "related party";
- information regarding exposure by Customer (which serves as the basis for the calculation of weighted assets for capital ratio purposes);
- integrated Customer positions.

Moreover, the operations and relevant relationships in the related-party transactions domain are defined.

The Accounting, Planning and Statistics Division (Portuguese initials – DCPE) gathers and prepares information detailing Banco BPI's exposures to the counterparties identified in the preceding point.

The DCPE, the company Secretary and the Investor Relations Division become globally involved in the abovementioned process.

90. Indication of the transactions which were subject to control in the year under review

During 2013 the Supervisory Board was, in terms of article 109(3) of the RGICSF, called upon to issue six prior opinions relating to operations with or the revision of exposure limits under normal market conditions of shareholders with qualified holdings.

The Supervisory Board issued thirty six prior opinions in the terms envisaged in article 85(8) of the General Regime for Credit Institutions and Financial Companies covering operations with or the revision of credit limits to entities in which the members of the Bank's management or oversight bodies were managers or owned qualified holdings.

There were no business dealings or operations in 2013 between Banco BPI on the one hand, and the members of its Board of Directors, its Supervisory Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

91. Procedures and criteria applicable to the supervisory board's involvement – business dealings with shareholders owning a qualified holding

Any transaction of business between the company and shareholders owning a qualified holding, or with entities with which they have any relationship in terms of article 20 of the SC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof, and such business transaction must always be carried out under normal market conditions.

The Supervisory Board's opinion is issued on the basis of detailed information presented for the appraisal of the operations by the Credit Risk Committees and by the Executive Committee, as well as also being backed up by the information sent to the Board of Directors after appraisal by those bodies.

II. DETAILS RELATING TO BUSINESS DEALINGS

92. Annual report and accounts documents containing information about related party business dealings

According to IAS 24, related parties are defined as those over which Banco BPI exercises, directly or indirectly, a significant influence on their management and financial policy – associated and jointly-controlled companies and Pension Funds – and the entities which exercise a significant influence over the Bank's management – Shareholders and members of Banco BPI's Board of Directors.

The overall amounts of assets, liabilities, earnings and off-balance sheet liabilities relating to operations with related parties are presented in the notes to the financial statements "4.51. Related parties" of the present Report and Accounts (page 241).

Part II – Corporate Governance assessment

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

In 2013 there were significant developments in the sphere of corporate governance regulations and recommendations:

- The CMVM approved Regulation no. 4 / 2013 – applicable to corporate governance reports relating to the 2013 financial year – which, while maintaining the requirement for companies to adopt a governance code (recommendations), now envisages the possibility of those entities opting for the CMVM's governance code or for an alternative code issued by an entity qualified for this purpose, and reformulated the code drafted by it.
- The Instituto Português de Corporate Governance (IPCG – Portuguese Corporate Governance Institute) released a governance code (2014) – of voluntary adoption and optional compliance, based on the "comply or explain" rule – a rule which is also embraced by the code disseminated by the CMVM, and which may constitute an alternative to this code.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Declaration in terms of article 245(1)(O) of the SC on the adoption of the corporate governance code which BPI is voluntarily subject to, non conformity with the recommendations contained therein and the reasons for that deviation.

For purposes of the present report and the review of compliance – recommendation by recommendation – which follows, BPI used as the benchmark the Corporate Governance Code disclosed by the CMVM in July 2013, reserving for the 2014 financial year a review and the consequent decision concerning the possible adoption of a Governance Code other than the one published by the CMVM.

BPI complies with a significant number of recommendations contained in the CMVM's Corporate Governance Code, ("CMVM Recommendation") – the appraisal of which appears in the present report.

The following table lists the recommendations appearing in the Corporate Governance Code issued by the Portuguese Securities Market Commission (CMVM) in 2013, indicating which ones were adopted by BPI and which were not. Similarly, mention is made of the points of the report where reference is made to the topics under review.

		Adoption	References in the Governance Report[1] Point (page no.)
I.	**VOTING AND CORPORATE CONTROL**		
I.1.	Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Point 12 (p. 273)
I.2.	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Yes	Point 14 and Part II,2 (explanation) (p. 274 and 318)
I.3.	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Yes	Point 13 and Part II,2 (explanation) (p. 273 and 318)
I.4.	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	No	Point 13 and Part II,2 (reasons of divergence) (p. 273 and 319)
I.5.	Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Yes	Points 4, 83, 84 (p. 267 and 310)

1) Except when mentioned otherwise.

		Adoption	References in the Governance Report[1] Point (page no.)
II.	**SUPERVISION, MANAGEMENT AND OVERSIGHT**		
II.1.	**Supervision and management**		
II.1.1.	Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Yes	Point 21 (p. 276)
II.1.2.	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Yes	Point 21 (p. 276)
II.1.3.	*Not applicable because it refers to a non-existent body in the governance model adopted by BPI.*	n.a.	n.a.
II.1.4.	Except for small-sized companies, the Board of Directors shall create the necessary committees in order to:		
	a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;	Yes	Points 15, 21, 24, 25, 27, 29, 66, 67, 68 (p. 274, 276, 280, 281, 283 and 299)
	b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Yes	Points 15, 21, 27, 29 (p. 274, 276, 280, 281, and 283)
II.1.5.	The Board of Directors should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Yes	Point 50 (p. 294)
II.1.6.	The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Yes	Point 17 (p. 275)
II.1.7.	Amongst the non-executive directors there must be an adequate proportion of independent persons taking into account the governance model adopted, the size of the company and its shareholder structure and the respective free float.	Yes	Point 18 (p. 275)
II.1.8.	When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Yes	Point 28 (p. 281)
II.1.9.	The Chairman of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors and the Chairman of the Supervisory Board, the convening notices and minutes of the relevant meetings.	Yes	Point 28 (p. 281)
II.1.10.	If the Chairman of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Not applicable because the condition does not exist	
II.2.	**SUPERVISION**		
II.2.1.	The Chairman of the Supervisory Board shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Yes	Point 33 (p. 291)
II.2.2.	The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Points 37, 45 (p. 292, 293)
II.2.3.	The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Yes	Point 37 (p. 292)

1) Except when mentioned otherwise.

		Adoption	References in the Governance Report[1] Point (page no.)
II.2.4.	The Supervisory Board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Yes	Point 38 (p. 292)
II.2.5.	The Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Yes	Point 38 (p. 292)
II.3.	**Remuneration setting**		
II.3.1.	All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	Points 67 and 68 (p. 299)
II.3.2.	Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Yes	Points 67 and 68 (p. 299)
II.3.3.	A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28 / 2009 of 19 June, shall also contain the following:		
	a) identification and details of the criteria for determining the remuneration paid to the members of the governing bodies;	Yes	Point 69 (p. 299)
	b) information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;	Yes	Point 69 and Part II, explanation (p. 299 and 319)
	c) [d) in the Code's original wording] information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Yes	Point 69 (p. 299)
II.3.4.	Approval of plans for the allotment of shares and / or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Yes	Point 86 (p. 311)
II.3.5.	Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Yes	Point 76 (p. 306)
III.	**REMUNERATION**		
III.1.	The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Yes	Point 69 (p. 299)
III.2.	The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Yes	Point 69 (p. 299)
III.3.	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Yes	Point 69 (p. 299)
III.4.	A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Yes	Point 69 (p. 299)
III.5.	Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Yes	Point 69 (p. 299)

1) Except when mentioned otherwise.

		Adoption	References in the Governance Report[1] Point (page no.)
III.6.	Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Yes	Point 69 (p. 299)
III.7.	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Yes	Point 69 (p. 299)
III.8.	When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Yes	Point 83 (p. 310)
IV.	**AUDITING**		
IV.1.	The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Yes	Part II, Point 3.5 (p. 323)
IV.2.	The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services – which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – said should not exceed more than 30% of the total value of services rendered to the company.	Yes	Point 37 (p. 292)
IV.3.	Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Yes	Supervisory Board report (p. 255-261)
V.	**CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS**		
V.1.	The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Yes	Point 89 (p. 313)
V.2.	The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings – or entities with which they are in any of the relationships described in article 20 / 1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Yes	Supervisory Board report (p. 255-261)
VI.	**INFORMATION**		
VI.1.	Companies shall provide, via their web sites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Yes	Point 59 to 65 (p. 298)
VI.2.	Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Yes	Point 56 (p. 297)

1) Except when mentioned otherwise.

Additionally BPI considers that, as regards the CMVM Recommendations I.2, I.3 and II.3.3, it has materially complied with the meaning of the recommendation under consideration, in terms of the following explanations:

Recom.	Explanation
I.2	Recommendation adopted. In effect, according to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a shareholder and entities related to him / her), to number one of article thirty one (provision which fixes a special qualified majority for the company's winding up), as well to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast). It will be recalled in this regard and in the first place, that the aforesaid rule laid down in the Commercial Companies Code is mandatory only as regards the minimum limit. That is, companies are free to set in their statutes higher qualified majorities. In second place, Banco BPI is of the opinion that there exists justification for the alteration to the statutory rules in question to be subject to a more demanding qualified majority than the qualified majority envisaged in the law. This justification stems from the conjugation of the following two aspects: ▪ the statutory rules in question (remember, rules governing the limitation on voting and the company's winding up) refer and represent options relating to highly important aspects relating to the company's affairs; in the first case, with a solution which as explained in relation to the recommendation I.6.2., it seeks to promote a balanced participation of the shareholders in the company's affairs; in the second case, what is at stake is the company's own subsistence; ▪ in the case of statutory rules which take the form of very important options for the company's affairs, their alteration should only take place when there is an unequivocal and large majority will in this regard; it is deemed for this purpose that it is appropriate to set the aforementioned seventy five per cent majority of the votes cast. Finally, it will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital. Accordingly, the solution previously described is considered to be appropriate in light of the principles of good corporate governance. Indeed, taking into account: ▪ the limitation to a very limited number of matters (two matters) of the scope of the application of the higher qualified majority than that provided for in the law; ▪ the reasons underlying this requirement, based on the company's interests and that major changes in options affecting the company's affairs only occur when there exists an unequivocal and substantial majority desire in this regard; and ▪ the actual special qualified majority required which, despite being greater than the legal one, is confined to within the limits considered reasonable and is, as already mentioned, defined according to the votes cast and not the votes corresponding to the share capital. It is believed that the solution in question does not constitute a mechanism that impedes in an unjustified and / or unreasonable manner the adoption of resolutions by the shareholders, with the result that the meaning of the recommendation concerned is deemed to be materially fulfilled.
I.3	Recommendation adopted. Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted. The change to this statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM). The principal limiting the number of votes cast by a sole shareholder was proposed by the General Board with the object of promoting a framework conducive to a balanced participation of the principal shareholders in the company's affairs, from the standpoint of Shareholders' long-term interests. In its initial formulation, which was approved by the Shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, a limit was set of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to 17.5%, by way of a resolution approved by a majority of 77.4% of the votes cast and was finally increased to the current 20% by unanimous voting at the GM of 22 April 2009.

Recom.	Explanation
	Since it is in the shareholders' unequivocal long-term interest that there should exist a framework enabling their balanced participation in the company's affairs and as the solution under review represents the most suitable means for this purpose, the condition appearing in the final part of this recommendation that excepts that which is recommended, namely the non-existence of divergences between the right to dividends and the right to vote precisely the "duly substantiated in accordance with the shareholders' long-term interests" mechanisms, is considered to be fulfilled.
II.3.3	Recommendation adopted. As regards recommendation II.3.3. b) it is worth pointing out that the remuneration policy approved at Banco BPI's General Meeting does not specify the potential individual maximum amount to be paid to the members of the governing bodies. However: 1. This remuneration policy: a) defines the overall amount of the remuneration of the members of the Board of Directors; and b) with respect to the variable remuneration, it definesthe criteria to be used by the Remuneration Committee for determining the overall amount to be awarded each year to the Executive Committee members and the amounted to be awarded to each member of that body; And 2. Every year a note is included in the governance report disclosing the individual amounts paid to the members of the governing bodies in the year covered by the report. This information not only allows shareholders to know exactly the remuneration of each member of the governing bodies and, where applicable, to comment in this respect, but also enables them, combining this information with the overall limits set out in the remuneration policy, to at the very least estimate what this remuneration will be in the following year. Hence, the objectives of the recommendation are considered to be met, namely: a. Minimum projection, within reasonable parameters, as to what the potential maximum remuneration is for each member of the governing bodies; b. Existence of information about the actual remuneration of each member of the governing bodies and the possibility of the shareholders commenting thereon if they so wish; c. Transparency as regards the individual remuneration policy for each member of the governing bodies.

Thus, BPI considers that it adopts the CMVM's recommendations, with the exception of Recommendation No. I.4 which is not adopted for the reasons identified below:

Recom.	Explanation
I.4	Recommendation not adopted. Banco BPI's statutes do not incorporate the measures defined in the Recommendation in question as regards the maintenance of those limits mentioned with respect to recommendation I.3 being the object of periodic reappraisal in General Meeting, which is explained by: ▪ on the one hand, it is always possible for Shareholders who wish to alter or suppress the aforesaid statutory rule to propose at any moment and after observing the requisites for this purpose envisaged in the law, to submit to the General Meeting a proposal advocating such alteration or suppression; ▪ on the other hand, and as already partly explained as regards Recommendation I.4., because it is considered to be a rule which constitutes a very important option in the company's affairs, its modification should only take place when there is a will that (i) is unequivocal and backed by a large majority in this regard and (ii) results from a balanced participation of the various shareholders, desirous that these are not considered attainable if it is accepted that this modification may be approved by resolution passed by a simple majority and without the voting limit functioning.

3. OTHER INFORMATION

3.1. Bank of Portugal Regulations Governing Remuneration Policies

Bank of Portugal Notice no. 10 / 2011 came into force on 10 January 2012 and updates the regulations relating to the general principles governing remuneration policies and practices, revoking Bank of Portugal Notice no. 1 / 2010 and Letter-Circular no. 2 / 2010 / DSB.

The publication of the aforesaid Notice and revocation of the Bank of Portugal's instructions relating to this subject, falls within a framework resulting from (i) the publication of Decree-Law 88 / 2011, of 20 July, which transposed into national law Directive 2010 / 76 / EU of the European Parliament and Council (usually designated "CRD III") and added in this framework a new point regarding remuneration policies (point XI) to Annex to DL 104 / 2007, of 20 July, as well as (ii) the publication in December 2010, of the principles regarding this subject by the then Committee of European Banking Supervisors (CEBS) – which gave origin to the present European Banking Authority (EBA).

The new regulatory framework thus promulgated addresses three main areas:

a) principles and rules governing the approval and evaluation of remuneration policy;
b) principles and rules governing the structure and composition of remuneration policy;
c) principles and rules governing the disclosure of information relating to this topic, whether it be about policy or the remuneration paid in terms thereof.

3.1.1 Principles and rules governing the approval and evaluation of remuneration policy

As regards the first of the aforementioned areas, the Bank believes that it complies with the vast majority of the rules envisaged dealing with the matters included therein, namely those embodied in articles 5, 7 and 14 of Notice 10 / 2011.

In this respect, it is important to underline:

- that the remuneration policy of the members of the governing bodies is the object of approval, in general terms, by the General Meeting (pursuant to the provisions of Law 28 / 2009, of 19 June) and subsequently formalised by the Remuneration Committee elected by the same body through the concrete definition of the fixed remuneration and the amount of the attendance allowances to be paid to the members of the Board of Directors and, in the case where they are members of the Executive Committee, determining, based on the respective performance evaluation, the amount of the respective variable remuneration;
- that the remuneration policy relating to the Employees is the object of approval by the Board of Directors.

It should also be highlighted that the Bank has, in compliance with the relevant statutory requirements, a Board of Directors Committee responsible for remuneration matters (the CNAR – the Nominations, Evaluation and Remuneration Committee), which adheres to the terms set out in numbers 25 and 26 of point XI of the annex to DL 104 / 2007, of 3 April and in article 7 of Notice 10 / 2011. This Committee, which is consultative in nature and lends support to the Board of Directors, performs, amongst others, the functions contemplated in article 7(4) of Notice 10 / 2011. Since 2 February 2012, and for compliance with no. 2 of the same article, this Committee is composed of a majority of the Board of Directors classified as being independent in light of the criterion set out in no. 3 of the same article.

3.1.2 Principles and rules governing the structure and composition of remuneration policy

As concerns this area of the new legal dispensation, the Bank also complies in a general manner, and especially as regards the members of the management and oversight bodies, with the vast majority of the principles set out in number 24 of point XI of the annex to DL 104 / 2007, of 3 April, as well as the rules set out in chapters III and IV of Notice 10 / 2011. Part of these principles have in fact reciprocity in the recommendations which the Bank of Portugal had already disseminated in 2010 (Letter Circular 2 / 2010), which Banco BPI had already been taken cognisance of and had made reference to in the 2011 Annual Report as insofar as the extent of adoption is concerned.

With respect to the character and meaning of the aforesaid principles and rules, and without prejudice to what is referred to further on, it is considered to be important to bear in mind the reference to proportionality and adequacy stemming from the text of number 24 of point XI of DL 104 / 2007, of 3 April and that of article 3(1) of Bank of Portugal Notice 10 / 2011. It is stated in the first that "credit institutions must observe the following principles in a manner and to the extent appropriate to their size and internal organisation and to the nature, the scope and the complexity of their activities". The second of the aforementioned provisions state that "The Remuneration Policy must be appropriate and proportional to the size, internal organisation, nature, scope and magnitude of the risks assumed or to be assumed and to the degree of centralisation and delegation of the powers established at the institution". It follows from the texts cited that we are dealing with prescribed principles and rules which must be adhered to by the institutions in a manner and fashion proportionate and appropriate to their characteristics and always bearing in mind the underlying values and objectives.

As has already been described in previous points of this Report, the Remuneration Policy pursued by the Bank is designed taking into account and with a view to ensuring (i) an alignment of interests between the Bank's management, shareholders and other stakeholders and (ii) the compatibility with the maintenance of its own funds at adequate levels that comply with applicable ratios and (iii) the sound assumption and management of risks. To this end, the policy under review includes the projection that the remuneration of the executive members of the Board of Directors and of the Employees will comprise a fixed and a variable part, appropriate rules as regards the relevant elements in determining the remuneration to be paid (in particular the variable remuneration) and the limits to that remuneration, namely according to the Bank's results. As regards the executive directors, rules are also envisaged relating to conditionality and the deferral of 50% of the variable remuneration over three years.

The remuneration policy outlined in the preceding paragraph corresponds to that which was approved in the General Meeting of April 2011 for the period corresponding to the term of office of the governing bodies which commenced then (2011 / 2013) and is described in part D of this report.

As referred to previously, the Remuneration Policy under review was, by way of resolution of the General Meeting of 27 June 2012, which approved Banco BPI's Recapitalisation Plan, the object of the following adjustments ordained to remain in force until the Core Tier 1 Capital instruments subscribed by the State are not fully redeemed:

a) Reduction of the aggregate amount of the fixed remuneration of the members of the Board of Directors and the remuneration of the members of the Supervisory Board to 50% of the average amount of the remuneration paid to the members of these bodies in 2010 and 2011;
b) Non-payment to the director members of the Executive Committee of any variable remuneration, but without prejudice to the Remuneration Committee being able to continue, within the framework of the rules of the remuneration policy in force, to award to these Executive Committee members variable remuneration, on the condition that these are not paid until such time as those instruments are not fully redeemed.

Without prejudice to Banco BPI's remuneration policies, whether it relates to its management board members or to its Senior Managers, having, at the time of their approval by the General Meeting of April 2011, been defined for a period corresponding to the governing bodies' term of office (3 years), and that these, as referred to above, comply with the vast majority of the principles and rules of the legal dispensation that we have been referring to, the Bank also has in progress an analysis of certain of the directives stemming from this legal dispensation, such as they relate to the definition of specific rules for the structure and composition of the remuneration whether of Employees with control functions or of Employees who perform functions which have a material impact on the institution's risk profile. This analysis is aimed at, within the context of the values and objectives underlying these directives, seeking on the one hand a definition of the respective application scope which is compatible with the principles of proportionality and adequacy referred to above and, on the other, a form of implementation that satisfies the same parameters. Banco BPI shall seek to count upon, in this analysis, the contributions from the discussions to be held with the Bank of Portugal.

3.1.3 Principles and rules for the disclosure of information relating to this topic, whether about policy or about the remuneration to be paid in terms thereof (see Articles 16 and 17 of Bank of Portugal Notice 10 / 2011)

The Bank complies with this aspect by means of the present Corporate Governance Report, the notes to the financial statements and the comprehensive information contained therein concerning the remuneration policy pursued.

3.2. Policies relating to the remuneration of other members of the group's senior management

Remuneration policys of Managers

In compliance with the provisions of the CMVM's Regulations, the General Meeting of 27 April 2011 approved, and the General Meeting of 31 May 2012 deliberated to retain in force, the Remuneration Policy for the group of Employees referred to in that document as Senior Managers, which group corresponds to Employees classified as "managers" for purposes of the provisions of article 248-B of the Securities Code, and to the first and second line Employees at the divisions where they perform control functions.

Managers are not, by virtue of that fact, the object of a remuneration policy different from the one which is applicable to Banco BPI's other Employees.

Consequently, the remuneration policy covering the Managers is that which is applied to the majority of Banco BPI's Employees and is based on the existence of a remuneration made up of two components; a fixed and a variable component.

The fixing of the variable portion to be awarded to Banco BPI Employees and, therefore, to its management, takes into account a number of factors, amongst which – for those working in Portugal – the consolidated net profit before tax generated by Banco BPI's domestic operations.

As a rule, the abovementioned variable component is broken down into a part payable in cash and another payable in Banco BPI shares and share options, awarded within the framework of the share incentive scheme (Portuguese nomenclature Programa RVA), described in the BPI Group's Corporate Governance Report. The weight of this portion in shares and share options on the total variable component varies, according to the manager's responsibility, between a minimum of 10% and a maximum of 35%.

In exceptional circumstances, as happened with the variable remuneration paid in 2007, for reasons linked to the pending takeover bid for Banco BPI shares, or with the variable remuneration paid in 2009 and 2012, bearing in mind the exceptional state of the financial markets, the RVA component of the variable remuneration may be fully paid in cash.

The definition of the remuneration to be paid in each year to each Manager results from:

- as regards the fixed portion, that envisaged in the existing employment contract with each one of the Managers;
- as regards the variable component, the decision of the Board of Directors' Executive Committee, excluding the Managers who are members of Banco Português de Investimento's Board of Directors, in which the final decision is taken by the Board of Directors, in both cases taking into consideration their level of responsibility and the result of the respective evaluation process.

The remuneration policy lines described in the preceding points are aimed at, amongst other objectives, contributing to the alignment of Employees' interests and, therefore, of senior management, with the company's interests and discouraging the excessive assumption of risks; this contribution results from, amongst other aspects:

- the relationship established, under the mentioned terms, between the amount of the variable remuneration and the Bank's pre-tax results from the domestic activity;
- the fact that a portion of this remuneration may be composed of Banco BPI shares / options to buy such shares awarded within the framework of the RVA share incentive scheme and;
- the fact that the free disposal of the shares awarded under the RVA scheme may be deferred over 3 years.

3.3. Principal features of the retirement benefits system for Banco BPI managers

The following are the principal features of the retirement benefits system applicable to Banco BPI Managers:

a) As set out in point b) below, the retirement benefits applicable to Managers are defined and correspond to the benefit deriving from the pension plan contemplated in the Collective Labour Agreements for the banking sector entered into with the following banking sector trade unions – "Sindicatos do Norte, do Centro e do Sul e Ilhas", on the one hand, and with the "Sindicato Nacional dos Quadros e Técnicos Bancários" and the "Sindicato Independent da Banca", on the other.

b) With respect to the benefits referred to above:
   i. managers are not entitled, for this fact and in their capacity as such, to retirement benefits, except for those who are Directors of Banco Português de Investimento, S.A. but who are not members of the Executive Committee of Banco BPI, S.A., who, in such capacity and in addition to the regime applicable to the majority of Banco BPI's Employees, benefit, cumulatively and whilst they hold office, from a supplementary defined-contribution pension scheme, with a monthly contribution corresponding to 12.5% of the € 2 500 additional remuneration they earn for serving as directors;
   ii. Without prejudice to the content of a), Employees of Banco BPI and, therefore, the senior personnel, benefit from a retirement pension plan envisaged in the ACT for the banking sector or, in certain cases of Employees originating from companies covered by the general social security regime and subsequently enrolled at the CAFEB, and to the extent that it is more favourable, stemming from the rules of the social security general regime, from a plan whose funding is guaranteed by a pension fund. These benefits are identical to those that the majority of Banco BPI Employees enjoy under the same circumstances.

The pension plan for the Members of Banco Português de Investimento's Board of Directors referred to above provides that each Director can choose what portion of the contribution borne by the Bank to allocate to the funding of a pension (deferred benefit) or to a life assurance policy (immediate benefit).

The conditions of access to the benefits envisaged in the aforementioned pension plan are those which are legally prescribed for retirement-savings plans (Portuguese initials – PPR): retirement due to age limit or infirmity; death; serious illness or long-term unemployment.

3.4. Employees' remuneration and other benefits

The information provided in this section has as it object complying with the requirements of Bank of Portugal Notice 10 / 2011, in which refers to the universe of Employees who meet certain of the following criteria which correspond 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;
c) perform the control functions contemplated in Bank of Portugal Notice 5 / 2008 (compliance, audit and risk control).

In applying the above-mentioned criteria and solely for the limitation of the Employees to which the information to be provided pursuant to article 17 of Notice 10 / 2011 refers, the universe of Employees considered corresponds to the Remuneration Policy for senior managers mentioned in 3.2., namely:

- Employees categorised as "managers" for purposes of the provisions of article 248-B of the Securities Code;
- Employees who occupy first and second tier positions at divisions which perform control functions.

In 2013, the universe defined above encompassed 24 Employees.

In 2013, the remuneration of the universe described above, in aggregate terms, amounted to 2 356 th.€, split between fixed remuneration of 2 347 th.€ and long-service bonuses of 9 th.€. Included in fixed remuneration is 67 thousand euro relating to seniority payments.

At 31 December 2013, the aggregate amount of pension rights (annual) acquired by the universe of Employees under review was 1 175 thousand 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	894 739	1 451 764
Long service premium	9 052	0
Total remuneration	**903 791**	**1 451 764**
Pension rights acquired	485 926	688 866

There is no deferred remuneration (not paid) awarded to the above group of Employees.

There is no deferred remuneration due, paid or the object of reduction as a result of the adjustment introduced according to individual performance.

No new Employees were recruited in 2013 who fall within this universe.

No payments were made in 2013 for the early termination of employment contracts.

3.5. Involvement of the External Auditor

The external auditors should, within the scope of their duties, verify the application of remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and report any shortcomings to the company's supervisory body.

3.6. Share Incentive Scheme (RVA) Rules

The following text is a reviewed version of the scheme adopted at the General Meeting of 22 April 2010 and to be applied to the component of variable remuneration of each member of the Executive Committee which represents 50% of the aggregate amount of the variable remuneration, and which is made up of shares and options for the acquisition of Banco BPI shares.

PART I

General Provisions

Article 1

(Definitions)

The following expressions used herein shall bear the meaning set opposite them, respectively:

- "Shares" – BPI ordinary shares;
- "BPI" – Banco BPI, S.A.;
- "Employees" – the members of the Companies' management bodies (as hereinafter defined) other than the members of the Executive Body (as hereinafter defined) acting as such, and the positions of individuals bound to BPI or to any of the Companies by a contract of employment, designated by the Executive Body every year;
- "Agreement" – the agreement entered into between BPI and any Employee for the allocation of Shares and Options as a result of the acceptance of the agreement proposal set out in Article 4 of the Rules;
- "BPI Group" – the group formed by the Companies;
- "Option" – the right granted to an Employee to purchase one BPI share;
- "Executive Body" – BPI' s management executive body;
- "Exercise Price" – the amount to be paid by an Employee for the purchase of one Share on the exercise of an Option;
- "Rules" – these rules;
- "Companies" – BPI and any of the companies directly or indirectly controlled by it;
- "Maturity" – the date from which the Option may be exercised.

Article 2

(Awarding Shares and Options to Employees)

1. BPI may award Shares and Options to its Employees, as a variable remuneration, under the terms of these Rules.
2. The award shall be made by entering into an Agreement.

Article 3

(Criteria for awarding Shares and Options)

1. When establishing the maximum number of Shares and Options to be awarded each year by BPI, the Executive Body shall set the criteria presiding over their distribution to the Employees of each Company, as well as the conditions to which such allocation shall be subject, other than those listed herein.
2. The criteria to be established for the award of Shares and Options shall always include a merit discretionary rating for each Employee, determined by the management body of the Company where the Employee performs his / her duties.
3. It shall be the responsibility of the Executive Body to assess, on a discretionary basis, the merit of the members of the management body of the other Companies of the BPI Group, as well as of the Employees performing duties at BPI.

Article 4

(Procedures for awarding Shares and Options to Employees)

1. Shares and Options shall be granted by the Executive Body, after hearing the management body of each Company of the BPI Group.
2. The award of Shares and Options shall take the form of a proposed agreement addressed in writing by BPI to the Employee, which shall be deemed accepted should the Employee not expressly declare in writing that it is not his / her intention to accept it.
3. The proposed agreement shall include, among other information deemed necessary by the Executive Body, the following:
   a) the number of Shares and the number of Options awarded to the Employee;
   b) the conditions to which the award of Shares and Options is subject;
   c) the period within which Shares shall be freely available for the Employee;
   d) the Maturity of the Options, the Exercise Period and the Exercise Price;
   e) the date that shall be deemed, for any and all purposes, the date of award of Shares and Options object of the Agreement;
   f) the unavailability of Shares awarded, and which have been transferred subject to condition subsequent, and the establishment of their deposit, in which BPI shall be deemed interested under the terms and for the purposes of Article 1193 of the Civil Code. Such unavailability and deposit shall cease on and as of the date on which it is determined that conditions subsequent no longer take effect;
   g) a reference that the proposed agreement comprises and incorporates the terms of these Rules.
4. Each group of Shares, as well as of Options, awarded at the same date and, in respect of Options, with the same Maturity Date, shall form a Series.

Article 5

(Taxes, duties and fees)

1. BPI shall bear all transaction costs due by reason of the transfer of Shares made under the Agreement in favour of the Employee.
2. Each Employee shall bear all taxes and duties due by him / her as a result of any allocation and / or transfer of Shares

and Options in his / her favour, and authorise BPI, if BPI deems appropriate, to substitute him / her in the payment thereof, and thereby giving irrevocable instructions to the Banks of the BPI Group to pay to BPI, by debiting their deposit accounts, the amounts disbursed by BPI, upon submission of the relevant evidence.

Article 6

(Remuneration Committee's Intervention)

1. It shall be the responsibility of BPI' s Remuneration Committee to perform, with respect to the members of the Executive Body, the duties attributed by these Rules to the Executive Body with respect to Employees in general.
2. Any agreement between BPI and the members of the Executive Body shall be entered into by the Chairman and one of the members of the Remuneration Committee, representing BPI, upon whom the required powers are conferred by these Rules.
3. Suspension to exercise Options, by decision of the Executive Body, shall automatically encompass Options held by its members, without prejudice to the Remuneration Committee being able to determine, at its discretion, such suspension, in compliance with the provisions of Article 11(3) hereof.
4. The Exercise Price to be established by the Executive Body for each Series of Options shall be communicated by the Executive Body to the Remuneration Committee and the Remuneration Committee shall not take a lower price in the resolution to be adopted for the allocation of Options of that Series to the members of the Executive Body.
5. The criteria for any adjustment to be made either to the Exercise Price or to the number of Options, under the terms of Article 14 hereof, shall be established, with respect to Options awarded to the members of the Executive Body, under such terms that shall not be more favourable for such Employees than those established by the Executive Body for Employees in general.

Article 7

(Construction and incorporation of the Rules; eligibility)

1. It shall be the sole responsibility of the Executive Body to construe these Rules, as well as to fill any hiatus therein.
2. The Executive Body may from time to time, at its sole discretion, anticipate terms precedent, accelerate the Maturity Date of the Options, not require the confirmation of conditions precedent, waive at conditions subsequent and declare that these latter can no longer take effect when and where, cumulatively, a) such terms and conditions affect the transfer of the Shares and the allocation of the Options or their exercise and b) such procedure accelerates or consolidates the transfer of those rights to Employees.

Article 8

(Arbitration Convention)

1. Any dispute arising from awarding Shares and Options to Employees, as well as from the application of these Rules, shall be finally submitted to arbitration.
2. BPI' s statutory auditor at the commencement of the arbitration proceeding shall act as the sole arbitrator, and his / her decision shall be final, admitting no appeal.

PART II

Transfer of Shares

Article 9

(Transfer of Shares – General Rule – submission to condition subsequent)

1. The mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein.
2. The remaining Shares awarded shall be transferred to the Employee upon conclusion of the Agreement, but such transfer shall be cancelled, for the whole or part of such remaining Shares, under the Agreement, upon the occurrence of any of the following facts before the dates set out for that purpose in the Agreement:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds;
   b) termination, at BPI Group's initiative and on fair grounds, of employment or directorship of the Employee;
   c) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement.
3. If, on the date established in the agreement as the deadline for the confirmation of the conditions subsequent set forth in the foregoing paragraph, the Employee is the subject of an investigatory hearing or disciplinary proceeding with the intent to dismiss, such deadline shall be extended up to and including the date the decision on those proceedings is notified by the employer to that Employee.
4. For the purpose hereof, no termination of employment or directorship shall take place should any of the facts set out in sub-paragraphs above be followed, within a maximum of 90 days, by the establishment of a new relation of any of the aforesaid two types with one of the Companies.
5. In the event of a) Employee's death, b) Employee's retirement, or c) cessation of BPI' s control over the Company where the Employee performs his / her duties, it shall be deemed that the condition subsequent of the transfer shall cease to take effect.

6. Shares transferred under condition subsequent shall be held in trust, pending on such condition, in the Employee's securities account with BPI, and BPI is interested in such deposit, under the terms and for the purposes of Article 1193 of the Civil Code.
7. Share dividends, the transfer of which being subject to condition subsequent, shall be deposited, on the date they are paid out, in the Employee's current account with BPI, without any restriction on their use or transaction, without prejudice to paragraph below.
8. Upon confirmation of condition subsequent:
   a) Shares deposited shall promptly revert to BPI, which may freely make any transaction on them;
   b) the Employee shall deliver to BPI an amount equivalent to dividends referred to in the foregoing paragraph 7; for that purpose, the Employee irrevocably instructs the Banks of the BPI Group to pay the said amount to BPI, by debiting their deposit accounts.
9. In case one or more share capital increases through incorporation of reserves occur in BPI, the transfer of Shares, to which the Employee is entitled as a result of his / her ownership of Shares in respect of which transfer is subject to condition subsequent, shall be subject to an equal condition.

Article 10
(Transfer of Shares – transfer situations under term and condition precedent)

1. Where justified in the light of the interests underlying the Incentive Scheme object of these Rules, the Executive Body shall award Shares under term and condition subsequent.
2. The following rules shall apply to the award of Shares carried out under the terms of the foregoing paragraph:
   a) the mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein;
   b) the remaining Shares awarded shall be transferred to the Employee on the dates and in the number specified in the Agreement, if before any of such dates none of the facts referred to in Article 9, paragraph 2 has occurred, and the provisions set forth in Article 9, paragraph 3 shall apply, as amended;
   c) in the event of any fact referred to in Article 9, paragraph 2, BPI shall return to the Employee the amount delivered by him / her under the terms of paragraph 3 (b) below;
   d) should any of the facts set out in Article 9, paragraph 5 occur, all Shares awarded, but with suspended transfer, shall be promptly transferred.
3. While term and condition subsequent are pending, the following rules shall apply:
   a) In case one or more share capital increases through incorporation of reserves in BPI occur, Shares awarded shall be accrued of Shares to which the Employee would be entitled if he / she were already a holder of the Shares awarded and not yet transferred on the date of such increase;
   b) in case of capital increase with right of preference for shareholders, the Employee shall be entitled to the Shares he / she would subscribe if he / she already were the holder of Shares awarded and not yet transferred provided that he / she delivers to BPI, during the subscription period, the cash consideration corresponding to the sum that he / she would have to pay to BPI as capital realisation;
   c) Shares awarded shall also be accrued of a number of Shares corresponding to the division of dividends and reserves distributed, which would be attributable to Shares awarded and not yet transferred, at the price per Share on the stock exchange at the close of business on the first day Shares are transacted ex dividend or reserves distributed;
   d) the provisions of the foregoing sub-paragraphs may also apply, as amended, when the Executive Body deems that a fact similar to those set out therein substantially reduce the Share value;
   e) Shares additionally awarded to Employees by virtue of adjustments set out in the foregoing sub-paragraphs shall be transferred to them together with those initially awarded and on a pro rata basis;
   f) in case of BPI' s merger or split, the transfer of Shares subject to term and condition subsequent shall have as object the Shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any those operations.

PART III
Exercise of Options

Article 11
(Maturity, Expiry and Exercise of Options)

1. Options shall mature on the ninetieth day following the date they were granted and the Options shall expire five years having elapsed since the date they were granted.
2. The Options may be exercised at any time within the period comprised between their Maturity and their expiry dates, except for:
   a) the period between the commencement date and the expiry date of the Share subscription period in BPI' s share capital increases;
   b) the existence of an investigatory hearing or disciplinary proceeding with the intent to dismiss action against the Employee, in respect of the period between and including the date proceedings are started and the date on which

the resolution taken in such proceedings is notified by the employer to the Employee.

3. Whenever deemed necessary to prevent insider trading, the Executive Body may suspend the exercise of the Options for periods not exceeding 30 days at a time.
4. The exercise of Options by each Employee shall be made upon written notice addressed to BPI, expressing his / her intention to buy Shares corresponding to the whole or part of the Options that have been awarded and are overdue.

Article 12

(Exercise Price)

1. The Exercise Price shall be set by the Executive Body and shall be identical for Options of the same Series.
2. The payment of the Exercise Price shall be made on the third business day following the exercise of the Options.

Article 13

(Option expiry)

1. The termination of employment or directorship of the Employee, at the initiative of the BPI Group and on fair grounds, shall automatically determine that all Options awarded and not exercised, of that Employee.
2. In case of:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds; or
   b) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement;
      - the Options of that Employee, awarded and not yet matured, shall automatically lapse;
      - the Options of that Employee, awarded and already matured, shall lapse if not exercised within 30 days from the date of termination of employment or directorship.
3. In case of:
   a) Employee's death;
   b) Employee's retirement; or
   c) cessation of BPI' s control over the Company where the Employee performs his / her duties, the Maturity of all Options awarded shall take place, their exercise shall be made within a maximum period of 2 years therefrom.
4. In case of BPI' s merger or split, the object of the Options shall be made of the number of shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any of those operations.

Article 14

(Adjustments)

1. The Exercise Price shall be adjusted in case of:
   a) any change in BPI' s share capital, except in respect of share capital increases through new cash contributions, where shareholders have waived their pre-emptive right;
   b) an allocation of dividends and / or reserves to BPI shareholders, except when BPI' s Board of Directors deems that the aforesaid operation has no significant effect on the value of the Shares;
   c) the Executive Body deems to have occurred a fact of a similar nature of the previous ones likely to reduce significantly BPI' s share value.
2. In those cases set out in sub-paragraph a) of the foregoing paragraph, an adjustment shall be made to the number of Options awarded, together with an adjustment to their exercise price, pursuant to the criteria set out in paragraph below, as deemed necessary.
3. Any adjustment set out in the foregoing paragraphs shall be made, under the terms established by BPI' s Executive Body or Board of Directors, so that the Employee's position is substantially maintained identical to that existing before the occurrence of the facts that have determined them.

PART IV

(Final Provisions)

Article 15

(Assignment of the contract position and Options)

1. The Employee's contract position in the Agreement is non-transferability *inter vivos*.
2. Options, though overdue, cannot be transferred by gift inter vivos but may be assigned upon death to heirs or assignees of the Employee holder thereof.
3. Notwithstanding the provisions of the foregoing paragraph and under exceptional circumstances in the best interests of the Company, BPI may buy Options, overdue or not, from its Employees.

Article 16

(No derogation from the Codes of Conduct)

The disposal of Shares awarded to Employees under the terms of the Agreement, as well as of Shares acquired by them upon exercising their Options, is subject to, besides the restrictions set out herein and in the Agreement, the rules of the Code of Conduct applicable to the Employee or to the member of BPI' s management or supervisory bodies.

SPECIAL SECTION

(Rules – adopted at the General Meeting of 22 April 2010 – to be applied to the component of variable remuneration of each member of the Executive Committee which represents 50% of the aggregate amount of the variable remuneration, and which is made up of shares and options for the acquisition of Banco BPI shares).

1. Relevant definitions

a) **Shares:** shares representing Banco BPI' s share capital;

b) **Options:** options to purchase shares representing Banco BPI' s share capital;

c) **Payment Date:** the date on which Shares and / or Options are awarded as an element of the variable remuneration of an Executive Director;

d) **Date Completion of the Deferral Period:** the date on which 3 years elapse following the Payment Date;

e) **Payment Year:** the year of the Payment Date;

f) **Reference Year:** the year that is remunerated by the variable element paid on the Payment Date, i.e., the year prior to the Payment Year;

g) **Completion Year of the Deferral Period:** the year of the Date of Completion of the Deferral Period, i.e., the third year following the Payment Year;

h) **Deferral Period:** the 3-year period as from the Payment Date, a period that, in case Shares are awarded, is the period precedent to which the respective transfer is subject and, in the case of Options, is the period that must elapse for the Options to mature.

i) **Condition for Access to Deferred Remuneration:** Banco BPI's net worth, obtained based on its consolidated accounts concerning the financial year immediately preceding the year of the Completion Date of the Deferral Period, must be higher than Banco BPI's net worth, reported in its consolidated accounts for the Reference Year; for the purpose of this condition:

- the amount (considering the par value of shares subscribed for and, if applicable, its share premium) of any share capital increases through new cash contributions in that financial year, in the Payment Year and the year comprised between the two preceding ones, should be written-off from net worth for the year immediately before the year of the Completion Date of the Deferral Period;
- the amount of dividends actually paid out and concerning the years referred to in the foregoing paragraph should not be considered, (or, should it be the case, the fact that there is no payment), considering, in its stead, an amount equivalent to 40% of net profit reported in Banco BPI consolidated accounts of those years;
- net worth must be computed on the grounds of accounting rules in force and applied in the Reference Year.

2. Award of Shares

2.1 Where Shares awarding is at stake, they should be awarded "under term and condition precedent" set out in Article 10 of the Rules.

2.2 The term precedent corresponds to the Deferral Period.

2.3 Conditions precedent restrict the transfer of all Shares subject to the scheme set out in this special section and are the following:

- Completion Date of the Deferral Period, of any of the following events:
  1. Termination of the management relationship with the BPI Group at the initiative of the Executive Director, on fair grounds;
  2. Termination at the initiative of the BPI Group and on fair grounds of the management relationship with the Executive Director;
  3. Termination, by agreement between the parties, of the management relationship, without the rights of the Executive Directors to the shares awarded under condition having been expressly safeguarded in writing.
- The Condition for Access to Deferred Remuneration;

2.4 The provisions set out in paragraph 2.3 shall not affect the application of the rule embodied in article 10 (2) of the Regulations, in terms of which in the event of the Executive Director's death or retirement, all the shares whose award is suspended are immediately transferred.

3. Award of Options

3.1 Options awarding is subject, as a condition precedent, to the Condition for Access to Deferred Remuneration;

3.2 The Options shall mature on the Completion Date for the Deferral Period;

3.3 The Options shall expire three years having elapsed following from the Completion Date of the Deferral Period;

3.4 The provisions set forth in paragraph 3.2 above shall not affect the application of the rule stemming from Article 13 (3) of the Rules, according to which in the event of the Executive Director's death or retirement, all Options awarded mature immediately (they must be exercised within two years).

4. Limits on transactions of Shares and Options

The Shares and Options awarded under term and conditions precedent shall not be assigned, in general terms, to the Executive Director before confirmation of said term and conditions. Therefore, until such term or conditions are confirmed (whichever occurs later), the said shares and options are not registered in that Executive Director's name, nor is he / she entitled to freely dispose of them or encumber them.

5. Application of other terms of the Rules

Save for what is the object of the derogations envisaged in the foregoing paragraphs, the provisions of these Rules remain fully in force.

Annex

EXPERIENCE, PROFESSIONAL QUALIFICATIONS AND OTHER MANAGEMENT AND OVERSIGHT POSITIONS HELD IN OTHER COMPANIES OR ENTITIES BY THE GOVERNING BODIES OF BANCO BPI, S.A.

SHAREHOLDERS GENERAL MEETING

Miguel Veiga (Chairman)

Date of birth	30 June 1936
Nationality	Portuguese
Date of first appointment	27 April 2011
End of current term	31 December 2013

Academic qualifications

1959: Honours Law degree

Management and supervisory positions at other companies

2007-…: Non-executive Director of Impresa, SGPS, S.A.

1993-…: Non-executive Director of Companhia de Seguros Tranquilidade

Other positions

Chairman of the General Meeting Committee:
Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.
Interposto Comercial e Industrial do Norte
Fábrica de Chocolates Imperial (Grupo RAR)
Aplicação Urbana II – Investimento Imobiliário, S.A.
Atlantic SGFII, S.A.

Manuel Cavaleiro Brandão (Deputy-Chairman)

Date of birth	6 June 1946
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

Honours Law degree, Universidade de Coimbra
Attended post-graduate course in European Affairs, Universidade de Coimbra

Management and supervisory positions at other companies

Owner-Director of OFFIG – Administração e Gestão de Escritórios, Lda.
Director of Fundação de Serralves

Other positions

Chairman of the General Meeting Committee:
Sonae SGPS, S.A.
LEICA – Aparelhos Ópticos de Precisão, S.A.
Equity Partner of "PLMJ – A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados – Sociedade de Advogados, R.L."
Associate Founder of the "Associação Portuguesa de Arbitragem"
Member of the Arbitration Board of the Delegação Nacional Portuguesa da CCI – Chambre de Commerce Internationale
Arbitrator appointed by the Economic and Social Council
Member of the LCIA (London Court of International Arbitration) and of the Club Español del Arbitraje.

Previous professional experience

2006-07: Member of the Labour Relations White Paper Commission (CLBRL)
2004-06: Chairman (2006) and Deputy-Chairman (2004 and 2005) of the CCBE (Conselho das Ordens dos Advogados Europeias)
2004-05: Member of the "Court of Arbitration" of the "ICC – International Chamber of Commerce" (Paris)
1992-05: Member of the Arbitration Board of the Commercial Arbitration Centre of the Câmara de Comércio e Indústria Portuguesa and of the Câmaras de Comércio e Indústria de Lisboa e Porto
1990-92 and 2002-04: Member of the General Board of the Portuguese Law Society
1984-89: Member of the Porto District Board of the Portuguese Law Society
1990-11: Member (Advisor) of the European Economic and Social Committee

Maria Alexandra Magalhães

Date of birth	11 November 1967
Nationality	Portuguese
Date of first appointment	20 April 2005
End of current term	31 December 2013

Academic qualifications

1990: Economics graduate, Universidade do Porto
1996: "Master Quality Management" – Institut Méditerranéen de la Qualité / École Supérieure de Commerce et Technologie – France
2003: Post-graduation in Human Resources – Universidade Moderna do Porto
2010: MBA, IE Madrid

Management and supervisory positions at other companies

Director of Sarcol – Sociedade de Gestão e Investimento Imobiliário, S.A.

Other positions

Consultant at Dynargie.

Previous professional experience

Various positions held at Sarcol Group

Luís Manuel Alves de Sousa Amorim

Date of birth	1 September 1963
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

1986: Business Management graduate – Universidade Católica Portuguesa

Management and supervisory positions at other companies

2000-…: Director of RIAOVAR – Empreendimentos Turísticos e Imobiliários, S.A.

Previous professional experience

1993-07: Director of Simon – Sociedade Imobiliária do Norte, S.A.
1991-07: Manager of Sanor – Sociedade Agrícola do Norte, Lda.
1989-90: Manager of the Organisation and Management Systems Department – Modelo Supermercados, S.A.
1986-89: Professional staff member of the Management Control Department – Sonae Distribuição, S.A.

SUPERVISORY BOARD

Abel António Pinto dos Reis (Chairman)

Date of birth	10 October 1933
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

1960: Economics graduate of the Universidade do Porto
1952: Accounting Course, Instituto Comercial Porto
1948: General Commerce Course, Colégio Universal, Porto

Management and supervisory positions at other companies

2007-...: Chairman of the Supervisory Board of COSEC – Companhia de Seguros de Créditos, S.A.
2000-...: Non-executive Director of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.

Previous professional experience

2007-2008 (31 March): Chairman of the Supervisory Board of BPI Vida – Companhia de Seguros de Vida, S.A.
2000-2008 (31 March): Non-executive Director of Fernando & Irmãos, SGPS, S.A.
1993-97: Member of the Management Board of Caixa Central de Crédito Agrícola Mútuo
1986-92: Chairman of the Management Board of the Fundo de Garantia do Crédito Agrícola Mútuo
1976-92: Director at the Bank of Portugal
1961-64: Assistant lecturer at Faculdade de Economia do Porto
1957-75: Employee, professional staff member, auditor and manager of Banco Português do Atlântico
1952-53: Employee of Banco Espírito Santo

Jorge de Figueiredo Dias

Date of birth	30 September 1937
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2013

Academic qualifications

1959: Law graduate of the Universidade do Coimbra
1970: PhD in Law (Legal Sciences) from Law Faculty of the Universidade de Coimbra
1977: Chair Professor

Management and supervisory positions at other companies

Chairman of the Board of Directors of Bússola das Palavras, S.A.

Other positions

Member of Management Council of the Fundação Luso-Americana para o Desenvolvimento

Previous professional experience

1991-05: Deputy-Chairman of SIC (Société Internationale de Criminologie)
1990-01: Chairman of FIPP (Fondation Internationale Pénale et Pénitentiaire)
1996-02: Deputy-Chairman of SIDS (Société Internationale de Défense Sociale)
1996-00: Chairman of the General Meeting Committee of Caixa Geral de Depósitos
1991-96: Member of SIDS (Société Internationale de Défense Sociale)
1986-91: Member of SIC (Société Internationale de Criminologie)
1984-04: Member of the Management Council of the AIDP (Association Internationale de Droit Pénal)
1982-86: Member of the Council of State
1979-83: Member of the Constitutional Commission
1978-90: Member of FIPP (Fondation Internationale Pénale et Pénitentiaire)

José Neves Adelino

Date of birth	19 March 1954
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

1976: Finance graduate of the Universidade de Técnica de Lisboa
1981: PhD in Finance from Kent State University

Cargos de administração e fiscalização desempenhados em outras sociedades

2014-...: Director of Fundação Calouste Gulbenkian
2007-...: Director of Sonae SGPS, S.A. (non-executive)
2010-...: Director of Cimpor SGPS, S.A. (non-executive)

Other positions

2008-...: Member of the Investments Committee of Portugal VC Initiative (EIF)
2007-...: Member of Remunerations Committee of Sonae Indústria, S.A.

Previous professional experience

2012-2014: Finance and Investiment Director, Fundação Calouste Gulbenkian
1981-2012: Cathedratic Professor, Nova SBE, Universidade Nova de Lisboa
2006-2012: Guest Professor, Bentley University, USA
2004-2012: Member of the Investment Committee of the Fundo Caravela 1
2005-07: Member of the Investments Committee of PT Previsão
2003-07: Member of the Remunerations Committee of Sonae SGPS, S.A.
2002-06: Non-executive Director and Chairman of the Audit Committee of EDP – Electricidade de Portugal, S.A.
1999-02: Director of the Economics Faculty, Universidade Nova de Lisboa
1994-03: Member of the Management Committee, Fundo de Garantia de Depósitos
1990-96: MBA Director, Economics Faculty, Universidade Nova de Lisboa
1987-89: Visiting lecturer, Bentley College
1986-89: Guest lecturer, ISEE
1981-86: Member of the Management Council, Economics Faculty, Universidade Nova de Lisboa
1978-81: Teaching Fellow, Kent State University

Miguel Silva Artiaga Barbosa[1]

Date of birth	13 November 1970
Nationality	Portuguese
Date of first appointment	2 December 2012
End of current term	Payment of the public investment

Academic qualifications

1994: Hons degree in Economics, Universidade Católica Portuguesa
2005: Executive Corporate Finance Evening Programme, London Business School

Management and supervisory positions at other companies

Does not exercise other positions at companies

Previous professional experience

2013-...: Member of the Office of the Minister of the State and Finance, where he exercised Technical-Specialist functions.
2011-2012: Responsible for Investor Relations of the Monitoring of the Memoranda of Understanding unit of the Assistant Secretary of State of the Prime Minister. Additionally, responsible for monitoring the measures of the Memoranda of Understanding in the Financial, Privatisation and State Business Sector areas.
2006-2011: Manager in the Capital Market area of Banco de Investimento Credit Suisse.
2005-2006: Iberian Manager in the area of Currency Risk Management of the Banco de Investimento Barclays Capital.
2000-2005: Iberian Manager in the area of Currency, Interest Rate and Commodities risk management of Goldman Sachs Investment Bank.
1998-2000: Sub-manager in the area of the Equity Sales areas in Flemings Investment Bank.
1994-1998: Sub-manager in the area of Banco Finantia's Treasury.

1) Mr. Miguel Artiaga Barbosa is the State representative on Banco BPI's Supervsory Board, having been appointed by dispatch published in the Republic Official Journal, II series of 4 December (Dispatch no. 15463-B / 2012 of Minister of State and Finance).

CONSELHO DE ADMINISTRAÇÃO

Artur Santos Silva (Chairman)

Date of birth	22 May 1941
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2013

Academic qualifications

1985: Stanford Executive Program, Stanford University
1963: Law graduate, Universidade de Coimbra

Management and supervisory positions at other companies

Chairman of the Board of Directors of Partex Oil & Gas (Holdings) Corporation (100% held by Fundação Calouste Gulbenkian)

Other positions

Chairman of the Board of Directors of Fundação Calouste Gulbenkian

Previous professional experience

1981-04: Executive Chairman of SPI / BPI
1977-78: Deputy-Governor of the Bank of Portugal
1975-76: Secretary of State of the Treasury
1968-75: Manager at Banco Português do Atlântico
1963-67: Assistant lecturer at the Law Faculty of Universidade de Coimbra in the chairs Public Finance and Political Economics.

Fernando Ulrich (Deputy-Chairman and Chairman of Executive Committee)

Date of birth	26 April 1952
Nationality	Portuguese
Date of first appointment	22 March 1985
End of current term	31 December 2013

Academic qualifications

1969-74: Attended Business Management Course of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
Chairman of the Board of Directors of BPI Vida e Pensões – Companhia de Seguros, S.A.
Chairman of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A.
Chairman of the Board of Directors of BPI Global Investment Fund Management Company, S.A.
Director of BPI Capital Finance Limited
Director of Banco BPI Cayman, Ltd.

Management and supervisory positions at other companies

Manager of Viacer, Sociedade Gestora de Participações Sociais, Lda.
Manager of Petrocer, SGPS, Lda.

Other positions

Chairman of the Universidade do Algarve's General Board
Member of the Instituto Superior Técnico's Consultative Board
Member of the Instituto Superior de Economia e Gestão's Consultative Board
Member of the Strategic Council of the Lisbon Faculty Law School of Universidade Católica Portuguesa
Member of the Associação Portuguesa de Bancos's Management Board

Previous professional experience

1983-85: Deputy Manager of SPI – Sociedade Portuguesa de Investimento
1981-83: Chief of the Office of the Minister of Finance and Planning
1979-80: Officer at the Secretariat for External Economic Cooperation of the Ministry of Foreign Affairs (Relations with the EFTA, OECD and GATT)
1975-79: Member of the Portuguese Delegation at the OECD (Paris), responsible for economic and financial matters
1973-74: In charge of the financial markets section of the weekly "Expresso"

Alfredo Rezende de Almeida

Date of birth	22 May 1934
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2013

Academic qualifications

1959: Economics graduate, Economics Faculty of the Universidade do Porto

Management and supervisory positions at other companies

Sole Director of Casa de Ardias – Sociedade Agrícola e Comercial, S.A.

Other positions

Director of ATP – Associação Têxtil e do Vestuário de Portugal
Director of Associação Portuguesa de Exportadores Têxteis

Previous professional experience

1998-08: Chairman of the Board of Directors of ARCOtêxteis, S.A.
1998-08: Chairman of the Board of Directors of ARCOfio – Fiação, S.A.
1998-06: Deputy-Chairman of the Board of Directors of ARCOtinto – Tinturaria, S.A.
1995-06: Director of FÁBRICA DO ARCO – Recursos Energéticos, S.A.
1989-90: Chairman of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1985-88: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1986-91: Member of the General Board of Sociedade Portuguesa de Capital de Risco, S.A.
1959-63: Director of Sociedade Luso-Americana de Confecções, SARL

António Domingues (Deputy-Chairman of Executive Committee)

Date of birth	30 December 1956
Nationality	Portuguese
Date of first appointment	29 November 1995
End of current term	31 December 2013

Academic qualifications

1979: Economics graduate of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Deputy-Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of BPI Moçambique – Sociedade de Investimento, S.A.
Member of the Companhia de Seguros Allianz Portugal, S.A.
Member of the BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Director at Zon Optimus, SGPS, S.A.

Previous professional experience

1988-89: Assistant Director-General of the branch in France of Banco Português do Atlântico
1986-88: Technical advisor at the Foreign Department of the Bank of Portugal
1982-85: Director of the Foreign Department of the Instituto Emissor de Macau
1981: Economist at IAPMEI
Until 1981: Economist at the Office of Studies and Planning of the Ministry of Industry and Energy

António Farinha Morais

Date of birth	2 August 1951
Nationality	Portuguese
Date of first appointment	11 December 2002
End of current term	31 December 2013

Academic qualifications

1974: Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa

Management and oversight positions held at companies within the BPI Group

Director of Companhia de Seguros Allianz Portugal, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Director of SIBS – SGPS, S.A.
Director of SIBS – Forward Payment Solutions, S.A.
Director of UNICRE – Instituição Financeira de Crédito, S.A.

Previous professional experience

1992-96: Director of Banco de Fomento e Exterior and Banco Borges & Irmão
1992: Director of Companhia de Seguros Aliança UAP
1989-91: Director of Banco Pinto & Sotto Mayor
1984-89: Director of SEFIS and Eurofinanceira, BFE Group investment companies
1981-89: Director of Financial services and Capital Markets of Banco de Fomento e Exterior
1978-81: Technical analyst of investment projects at Banco de Fomento e Exterior
1975-82: Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa and at the Instituto Superior de Contabilidade e Administração de Lisboa
1967-78: Head of finance and administration at a group of four companies

António Lobo Xavier

Date of birth	16 October 1959
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

1982: Law graduate of the Universidade de Coimbra
1988: MSc in Legal-Economic Sciences from the Law Faculty of the Universidade de Coimbra

Management and supervisory positions at other companies

Executive Director of SonaeCom – SGPS, S.A.
Non-executive Director of Zon Optimus, SGPS, S.A.
Non-executive Director of Público – Comunicação Social, S.A.
Non-executive Director of Mota Engil, S.A.
Non-executive Director of Fábrica Têxtil Riopele, S.A.
Non-executive Director of Vallis, SGPS, S.A.
Chairman of the Board of Directors of Douro Old Chaps, S.A.
Non-executive Directors of EPM, SGPS, S.A.
Curator Member of the Fundação Belmiro de Azevedo.

Other positions

Partner of law firm "Morais Leitão, Galvão Teles, Soares da Silva e Associados – Sociedade de Advogados"
Chairman of the IRC Reform Commission
Consultant to the Board of Directors of SonaeCom, SGPS, S.A.
Member of the Consultative Committee of Futebol Clube do Porto, SAD
Member of the Board of Directors of the Instituto de Arbitragem Comercial
Member of the Board of Directors of the Centro de Arbitragem Comercial

Previous professional experience

2000-02: Director of Futebol Clube do Porto, SAD.
1988-94: Guest lecturer of the Law department of Universidade Portucalense
1988-94: Teacher at the European Studies Course at the Law Faculty of Universidade de Coimbra
1988: Advisor for the 1988 Tax Reform Commission
1988-94: Assistant lecturer at the Law Faculty of the Universidade de Coimbra
1986-91: Member of the Higher Council of the Administrative and Tax Courts
1985-....: Independent law consultant in the matters of Finance and Tax Law
1983-96: Member of the Portuguese Parliament
1983-88: Trainee assistant lecturer at the Law Faculty of the Universidade de Coimbra

Armando Costa Leite de Pinho

Date of birth	29 April 1934
Nationality	Portuguese
Date of first appointment	26 March 1987
End of current term	31 December 2013

Academic qualifications

1956: Diploma in Engineering, Instituto Superior de Engenharia do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Arsopi – Indústrias Metalúrgicas Arlindo S. Pinho, S.A.
Chairman of the Board of Directors of Arsopi – Holding, SGPS, S.A.
Chairman of the Board of Directors of Arsopi – Thermal, S.A.
Chairman of the Board of Directors of A. P. Invest, SGPS, S.A.
Chairman of the Board of Directors of ROE, SGPS, S.A.
Chairman of the Board of Directors of Security, SGPS, S.A.
Director of Unicer – Bebidas de Portugal, SGPS, S.A.
Chairman of the Board of Directors of Tecnocon – Tecnologia e Sistemas de Controle, S.A.
Director of Viacer – Sociedade Gestora de Participações Sociais, Lda.
Director of Arsopi España, S.L.

Previous professional experience

1988-00: Managing Director of Arsopi, S.A.
1985-90: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1969-88: Manager of Arsopi, Lda.
1957-69: Manager and Technical and Production Director of Metalúrgica de Cambra

Carlos Moreira da Silva

Date of birth	12 September 1952
Nationality	Portuguese
Date of first appointment	20 April 2006
End of current term	31 December 2013

Academic qualifications

2006: Stanford Executive Programme, University of Stanford, USA
1982: PhD in Management Sciences, University of Warwick, UK
1978: MSc in Man. Sci. and OR, University of Warwick, UK
1975: Graduate in Mechanical Engineering from the University of Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of the companies within the BA Glass Group

Previous professional experience

2009-2012: Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.
2005-2012: Member of the Advisory Board of 3i Spain
2003-05: Chairman of Executive Committee of Sonae Indústria, SGPS
1988-98: Director of several companies within Sonae Group
1987-88: Director of EDP, Electricidade de Portugal
1982-87: Assistant Professor at the Engineering Faculty of the Universidade do Porto

Edgar Alves Ferreira

Date of birth	21 March 1945
Nationality	Portuguese
Date of first appointment	20 October 2005
End of current term	31 December 2013

Academic qualifications

1967: Forestry graduate of the Instituto Superior de Agronomia
Post-graduate degree in Management from the Universidade Nova de Lisboa

Management and supervisory positions at other companies

Director of HVF – SGPS, S.A.
Director of III – Investimentos Industriais e Imobiliários, S.A.
Director of Corfi, S.A.
Director of Violas Ferreira Financial S.A.

Previous professional experience

1978-...: Production manager at Cotesi
...-2005: Director of companies within Violas Group
1989-05: Member of the Board of Directors of Unicer – Bebidas de Portugal, SGPS, S.A.

Herbert Walter

Date of birth	10 August 1953
Nationality	German
Date of first appointment	21 April 2004
End of current term	31 December 2013

Academic qualifications

1982: PhD in Political Sciences
1974-79: Kaufmann graduate in Business Administration, Ludwig-Maximilians University (Munich)

Management and supervisory positions at other companies

Member of the Board of Directors of DEPFA Bank plc, Dublin
Member of the Supervisory Board of Board of Aragon Ag, Wiesbaden (since July 2012)

Previous professional experience

Feb.11–Feb.13: Member of the Board of Directors of NOMOS-BANK, Moscow
Member of the Board of Directors of Banco Popular Español S.A., Madrid (until March 2010)
Member of the Board of Directors of Deutsche Lufthansa AG, Colónia (until May 2010)
Member of the Board of Directors of E.ON Ruhrgas AG, Essen (until May 2010)
Assistant lecturer at the University of Munich
Journalist for "Frankfurter Allgemeine Zeitung and Handelsblatt"
2003-2009: Chairman of the Executive Committee of Dresdner Bank AG
2003-2009: Member of the Board of Directors of Allianz SE
1999-2002: Responsible for Customers (Companies and Individuals) and Member of the Executive Committee of the Deutsche Bank Group
1999-2003: "Spokesman" of the Executive Committee of Dresdner Bank 24 AG

Ignacio Alvarez-Rendueles

Date of birth	8 July 1965
Nationality	Spanish
Date of first appointment	22 April 2009
End of current term	31 December 2013

Academic qualifications

1991: The Wharton School, University of Pennsylvania MBA, Major in Finance
1988: C.U.N.E.F. Universidade Complutense de Madrid, Honours degree in Economic and Business Sciences

Management and supervisory positions at other companies

Assistant Director-General of CaixaBank, S.A.

Other positions

Escuela de Organización Industrial de España – Member of the Advisory Board

Previous professional experience

2008-11: Caja de Ahorros y Pensiones de Barcelona "la Caixa" – Executive Deputy Chairman, International Banking
2000-08: Goldman Sachs International – Executive Director, Investment Banking
1993-00: Salomon Brothers International – Director, Investment Banking
1992-93: S.G. Warburg & Co. – Associate, Investment Banking
1989-90: Salomon Brothers International – Financial analyst, Investment banking

Isidro Fainé Casas

Date of birth	10 July 1942
Nationality	Spanish
Date of first appointment	27 March 1996
End of current term	31 December 2013

Academic qualifications

Graduate in "Senior Management", IESE
PhD in Economics
Member of the "Real Academia de Ciencias Económicas y Financieras" and of the "Académico da Real Academia de Doctores"
Holder of an ISMP in "Business Administration", Harvard University

Management and supervisory positions at other companies

Chairman of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
Chairman of CaixaBank, S.A.
Chairman of Criteria CaixaHolding, S.A.
First Deputy-Chairman of Abertis Infraestructuras, S.A.
Deputy-Chairman of Telefónica, S.A.
First Deputy-Chairman of Repsol, S.A.
Deputy-Chairman of Sociedad General de Aguas de Barcelona, S.A.
Non-executive member of the Board of The Bank of East Asia, Limited

Other positions

Chairman of the Fundación "la Caixa"
Chairman of the Confederación Española de Cajas de Ahorros – CECA
Chairman of the Federación Catalana de Cajas de Ahorros
Deputy-Chairman of the European Savings Banks Group – ESBG
Deputy-Chairman of World Savings Banks Institute – WSBI
Deputy-Chairman of the Institut de Prospective Économique du Monde Méditerranéen – IPEMED
Chairman of the Confederación Española de Directivos y Ejecutivos – CEDE
Chairman of the Spanish Chapter of the Club de Roma
Chairman of the Consejo Empresarial para la Competitividad – CEC

Previous professional experience

1999-07: Director-General of Caixa de Ahorros y Pensiones de Barcelona "La Caixa"
1991: Executive Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "La Caixa"
1984: Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "La Caixa"
1982: Subdirector-General of Caixa de Ahorros y Pensiones de Barcelona "La Caixa"
1978: General Manager of Banco Unión, S.A.
1974: Advisor and General Manager of Banca Jover
1973: Staff Manager of Banca Riva Y Garcia
1969: Director of Banco Asunción, Paraguay
1964: Investment Manager of Banco Atlântico

José Pena do Amaral

Date of birth	29 November 1955
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2013

Academic qualifications

1978: Economics graduate from Instituto Superior de Ciências do Trabalho e da Empresa

Management and oversight positions held at companies within the BPI Group

Member of the Board of Directors of Banco de Fomento Angola, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Other positions

Member of the Board of Founders of Casa da Música
Member of the Board of Curators of the Lisbon MBA
Member of the Scientific and Cultural Board of Fundação Francisco Manuel dos Santos

Previous professional experience

1986-96: Consultant at Casa Civil of the President of the Republic for European Affairs
1983-85: Head of the Office of the Minister of Finance and Planning; permanent member of the Portuguese Ministerial Delegation in the negotiations for Portugal's accession to the European Community
1982-83: Member of the Office of the consultants Jalles & Vasconcelos Porto; correspondent of the Expresso, RTP and of Deutsche Welle in Brussels
1980-82: Head of the ANOP delegation in Brussels
1979-80: Editor of the Economic Supplement of the Diário de Notícias
1975-80: Professional journalist at the Diário de Notícias

Juan María Nin

Date of birth	10 March 1953
Nationality	Spanish
Date of first appointment	23 April 2008
End of current term	31 December 2013

Academic qualifications

Lawyer – Economist by Universidad de Deusto
Master of Laws from the London School of Economics and Political Sciences

Management and supervisory positions at other companies

Chairman and C.E.O. of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
Deputy Chairman and C.E.O. of CaixaBank, S.A.
Deputy-Chairman of Criteria CaixaHolding, S.A.
Director of VidaCaixa Grupo, S.A.U.
Director of Gas Natural S.D.G, S.A.
Director of Repsol YPF, S.A.
Director of Grupo Financiero Inbursa
Director of Erste Group Bank, AG

Other positions

Deputy-Chairman of the "Fundación la Caixa"
Member of the Governing Board of the Universidad de Deusto
Member of the Board of Directors of Deusto Business School
Member of "Institut International d'Études Bancaires"
Member of the Board of Deans of the APD
Member of the Management Board of the "Círculo Ecuestre"
Chairman of "Fundación Consejo España-Estados Unidos"
Patron of the "Fundación Consejo España-China"
Deputy-Chairman of the "Fundación Consejo España-India"
Patron of the "Fundación ESADE"
Patron of the "Fundación Confederación Española de Directivos y Ejecutivos – CEDE"
Patron of the "Fundación Federico García Lorca"
Secretary of the "Federació Catalana de Caixes d'Estalvis"

(cont.)

Previous professional experience

2002-07: Managing Advisor of Banco Sabadell
1999-02: Director-General of "empresas y corporativas" of Santander Central Hispano
1994-98: Director-General of commercial banking of Banco Central Hispano and member of the Management Committee
1992-94: Cataluña Territorial Manager of Banco Central Hispano
1980-91: International Manager of Banco Hispano Americano
1978-80: Programme Director at "Ministério para las Relaciones com las Comunidades Europeas"

Klaus Dührkop

Date of birth	9 February 1953
Nationality	German
Date of first appointment	21 April 1999
End of current term	31 December 2013

Academic qualifications

Law graduate of the University of Hamburg

Management and supervisory positions at other companies

Director of Allianz Turquia
Chairman of the Allianz4Good Department of Allianz SE Munich

Previous professional experience

2006: Chairman of the Executive Committee of Mondial Assistance Group
1998-05: Executive Deputy-Chairman of the European Department of Allianz AG
1995-97: Head of the Department of Governmental Matters of Allianz AG, Brussels
1994: Head of the CEO Office of Allianz Versicherungs – AG
1991-93: Managing Director of Allianz Industrial, S.A. (Spain)
1987-91: Member of the Executive Committee of Allianz Ultramar (Brazil)
1985-86: Director of the Industrial Department of Allianz Versicherungs – AG, Hamburgo
1982-84: Insurance brokerage assistant

Manuel Ferreira da Silva

Date of birth	25 February 1957
Nationality	Portuguese
Date of first appointment	26 April 2001
End of current term	31 December 2013

Academic qualifications

1982: MBA, post-graduate course in Business Management from the Universidade Nova de Lisboa in collaboration with the Wharton School (University of Pennsylvania)
1980: Economics graduate from the Economics Faculty of the Universidade do Porto

Management and oversight positions held at companies within the BPI Group

Member of the Board of Directors and Chairman of the Executive Committee of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Private Equity – Sociedade de Capital de Risco, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Member of the Supervisory Board of Euronext, N.V.

Previous professional experience

1980-89: Lecturer at the Economic Faculty of the Universidade do Porto
1981-83: Assistant Director of the Navy's Centre of Operational Investigation

Marcelino Armenter Vidal

Date of birth	2 June 1957
Nationality	Spanish
Date of first appointment	3 February 2005
End of current term	31 December 2013

Academic qualifications

Hons degree in Company Management and Administration
Master of Business Administration (ESADE)

Management and supervisory positions at other companies

Senior Executive Vice-President of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
Director-General of Criteria CaixaHolding, S.A.
Director of Abertis Infraestruturas S.A.
Executive Chairman of Caixa Capital Risc, S.G.E.C.R., S.A.
3rd Vice Chairman of Ahorro Corporación

Previous professional experience

2007-2013: Director-General of CaixaBank (Riesgos)
2005-2007: Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
2001-2007: Director-General of Caixa Holding, S.A.
1995-2000: Managing Director of Banco Herrero
1996-2000: Director of Hidroeléctrica del Cantábrico

Maria Celeste Hagatong

Date of birth	2 July 1952
Nationality	Portuguese
Date of first appointment	27 September 2000
End of current term	31 December 2013

Academic qualifications

1974: Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa

Management and supervisory positions at other companies

Director of BPI Madeira, SGPS, Unipessoal, S.A.

Other positions

Non-executive Director of CVP – Sociedade de Gestão Hospitalar, S.A.
Non-executive Director of Cosec, S.A.

Previous professional experience

1984-85: Member of the Board of Directors of Fonds de Rétablissement du Conseil de L'Europe
1978-85: Manager of Financial Services at the Directorate-General of the Treasury of the Ministry of Finance
1977: Administrative and Finance Director of the Republic's Parliament
1976-77: Ministry of Finance – Directorate-General of the Treasury
1974-76: Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa
1974-76: Responsible for the Department of Local Finance of the Ministry for Internal Administration

Mário Leite da Silva

Date of birth	16 November 1972
Nationality	Portuguese
Date of first appointment	22 April 2009
End of current term	31 December 2013

Academic qualifications

Economics graduate, Economics Faculty of Universidade do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Santoro, Financial Holding, SGPS, S.A.
Chairman of the Board of Directors of Santoro Finance, S.A.
Chairman of the Board of Directors of Fidequity – Serviços de Gestão, S.A.
Chairman of the Board of Directors of Grisogono, S.A.
Member of the Board of Directors of Socip – Sociedade de Investimentos e Participações, S.A.
Director of Esperaza Holding, B.V.
Director of Banco de Fomento Angola, S.A.
Director of Nova Cimangola, S.A.
Director of Finstar – Sociedade de Investimentos e Participações, S.A.
Director of Kento Holding Limited
Director of ZON Optimus, SGPS, S.A.
Director of Victoria Holding Limited

Previous professional experience

Administrative and Financial Director and Member of the Board of Directors of several companies of Grupo Américo Amorim

Pedro Barreto

Date of birth	3 March 1966
Nationality	Portuguese
Date of first appointment	3 March 2004
End of current term	31 December 2013

Academic qualifications

2001: Stanford Executive Program
1989: Business Management graduate of the Universidade Católica Portuguesa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Previous professional experience

1984-88: IT Division of Soporcel – Sociedade Portuguesa de Celulose

Tomaz Jervell

Date of birth	4 March 1944
Nationality	Norwegian
Date of first appointment	26 March 1987
End of current term	31 December 2013

Academic qualifications

1969: Higher School of Commerce, Oslo

Management and supervisory positions at other companies

Chairman of the General Board of Auto-Sueco, Lda.
Chairman of the Board of Directors of Norbase, SGPS, S.A.
Chairman of the Board of Directors of Auto-Sueco (Angola), SARL
Chairman of the Board of Directors of Vellar, SGPS, S.A.

BANCO BPI, S.A.

Public held company

Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534

Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL

Share Capital: EUR 1 190 000 000