



Consolidated quarterly information (unaudited accounts)

Banco BPI

31 March 2014

(in accordance with article 10 of CMVM Regulation 5 / 2008)

This page was intentionally left blank.

INDEX**Report**

Leading indicators	4
Consolidated overview	5
Capital and CoCo redemption	7
BPI Group's consolidated results	10
Domestic activity results	15
International activity results	26

Financial statements and notes

Consolidated financial statements (unaudited)	31
Notes to the consolidated financial statements	37

LEADING INDICATORS

Amounts in M.€

	Domestic activity			International activity			Consolidated		
	Mar.13	Mar.14	Chg.%	Mar.13	Mar.14	Chg.%	Mar.13	Mar.14	Chg.%
Net profit, efficiency and profitability									
Net profit (as reported)	21,2	- 129,2	(708,8%)	19,3	24,4	26,4%	40,5	- 104,8	(358,8%)
Net profit (as reported) per share (EPS)	0,015	-0,093	(708,1%)	0,014	0,018	26,2%	0,029	-0,076	(358,5%)
Weighted average number of shares ¹⁾	1.384	1.385	0,1%	1.384	1.385	0,1%	1.384	1.385	0,1%
Efficiency ratio excl. non-recurring impacts (last 12 months)	70,9%	87,0%		41,9%	37,7%		62,2%	68,3%	
Return on average total assets (ROA)	0,2%	-1,4%		2,5%	3,0%		0,5%	-0,7%	
Return on Shareholders' equity (ROE)	4,4%	-11,5%		23,1%	26,9%		7,2%	-5,2%	
Balance sheet									
Net total assets ³⁾	38 261	36 270	(5,2%)	6 089	6 637	9,0%	43 129	41 968	(2,7%)
Loans to Customers	26 095	24 669	(5,5%)	1 098	1 087	(1,0%)	27 193	25 757	(5,3%)
Deposits	18 853	18 903	0,3%	5 249	5 781	10,1%	24 102	24 684	2,4%
Deposits and retail bonds	20 439	19 740	(3,4%)	5 249	5 781	10,1%	25 688	25 521	(0,6%)
On-balance sheet Customer resources	23 148	23 204	0,2%	5 249	5 781	10,1%	28 397	28 985	2,1%
Off-balance sheet Customer resources ⁴⁾	3 067	3 210	4,7%				3 067	3 210	4,7%
Total Customer resources ⁵⁾	25 670	26 086	1,6%	5 249	5 781	10,1%	30 919	31 867	3,1%
Loans to deposits ratio (Instruction 23/2011 BoP)	126%	116%		21%	19%		104%	94%	
Asset quality									
Loans in arrears for more than 90 days	871	931	6,9%	57	51	(10,8%)	928	982	5,8%
Ratio of loans in arrears ⁶⁾	3,2%	3,6%		4,9%	4,4%		3,3%	3,7%	
Impairments cover of loans in arrears ⁶⁾	93%	102%		146%	153%		97%	104%	
Credit at risk ⁷⁾	4,6%	5,2%		7,6%	6,3%		4,7%	5,2%	
Impairments cover of credit at risk ⁷⁾	70%	78%		93%	107%		72%	79%	
Cost of credit risk ⁸⁾	0,98%	0,62%		0,52%	1,03%		0,96%	0,64%	
Pension liabilities									
Employees pension liabilities	940	1 089	15,8%				940	1 089	15,8%
Employees pension funds assets	1 033	1 202	16,3%				1 033	1 202	16,3%
Cover of pension obligations ⁹⁾	109,9%	110,4%					109,9%	110,4%	
Capital									
Shareholders' equity and minority interests	1 491	1 845	23,7%	674	711	5,5%	2 165	2 557	18,1%
Bank of Portugal rules (in force until 31 Dec.13)									
Core Tier I							3 545	2 899	(18,2%)
Risk weighted assets							23 611	20 680	(12,4%)
Core Tier I ratio							15,0%	14,0%	
CRD IV/CRR phasing in (rules for 2014)									
Core Tier I								2 798	
Risk weighted assets								21 192	
Core Tier I ratio								13,2%	
Leverage ratio								7,3%	
LCR = Liquidity coverage ratio								464%	
NSFR = Net Stable Funding Ratio								106%	
CRD IV/CRR fully implemented									
Core Tier I								2 022	
Risk weighted assets								20 803	
Core Tier I ratio								9,7%	
Leverage ratio								5,6%	
LCR = Liquidity coverage ratio								464%	
NSFR = Net Stable Funding Ratio								106%	
Distribution network and staff									
Distribution network ¹⁰⁾	745	696	(6,6%)	171	176	2,9%	916	872	(4,8%)
BPI Group staff ¹¹⁾	6 378	6 254	(1,9%)	2 331	2 461	5,6%	8 709	8 715	0,1%

1) Average outstanding number of shares, deducted of treasury stock.

2) Operating costs as % of net operating revenue.

3) The total assets for each of the geographical segments presented above has not been corrected for the balances resulting from operations between these segments.

4) Unit trust funds, PPR and PPA (excludes pension funds).

5) Corrected for double counting: placements of unit trust funds managed by BPI in the Group's deposits, structured products and unit trust funds.

6) Loans in arrears for more than 90 days.

7) Calculated in accordance with Bank of Portugal Instruction 23/2011. It includes loans in arrears for more than 90 days, falling-due loans associated, restructured loans (previously with instalments in arrears for more than 90 days), insolvencies that have not yet been included in loans in arrears for more than 90 days.

8) Loan impairments in the period (P&L account), net of arrear loans recovered, as percentage of the average performing loan portfolio. In annualised terms.

9) Cover of pension obligations by the pension funds assets.

10) Includes traditional branches, housing shops, investment centres, corporate centres, Institutional and one Project Finance centre. Domestic activity distribution network includes branches in Paris (12 branches).

11) Excludes temporary workers.

CONSOLIDATED OVERVIEW

Banco BPI's Board of Directors decided to request to the competent authorities permission to redeem the totality of the CoCo still held by the State (420 M.€).

Core Tier I capital ratios at 31 March 2014 stood as following:

- **Core Tier 1 ratio CRD IV fully implemented of 9.7%, above the 7% minimum ratio required by EBA;**
- **Core Tier 1 ratio CRD IV phasing in of 13.2%, above the 8% capital benchmark for the asset quality review to be carried out by ECB.**

Banco BPI posted in the 1st quarter of 2014 a consolidated net loss of 104.8 million euro (M.€). Earnings per share (Basic EPS) were -0.076€ (0.029€ in the 1st quarter 2013).

Consolidated net income in 1st quarter 2014 was penalized by the negative contribution of 129.2 M.€ from the domestic activity, which was especially influenced by losses of 102 M.€ (-132 M.€ before taxes) incurred with the sale of medium and long term public debt of Portugal and Italy. Net income from domestic activity continues to be affected by the cost of CoCo's and the maintenance of the cost of time deposits at high levels and the low Euribor interest rates.

The international activity had a positive contribution for consolidated net profit of 24.4 M.€ (+26.4% relative to the 1st quarter 2013).

Consolidated net operating revenue decreased by 72.5% (-249.8 M.€) relative to the 1st quarter 2013, which is mainly explained by the fall in profits from financial operations from 155.6 M.€ in the 1st quarter of 2013 to -91.7 in the 1st quarter of 2014, once it includes in the 1st quarter of 2014 losses with the sale of medium and long term public debt of Portugal and Italy. Net interest income declined by 3.6% (-4.1 M.€), and commissions changed by -0.2% (-0.1 M.€) yoy.

Consolidated operating costs decreased 2.3 M.€ (-1.4%) year-on-year whereas cost in domestic activity fell 1.1 M.€ (-1.1%) yoy.

The consolidated credit at risk ratio (non-performing loans), calculated in accordance with Bank of Portugal Instruction 23 / 2011, was 5.2% at the end of March 2014. The accumulated impairment allowances in the balance sheet covered the credit at risk at 79% (without considering the coverage by associated collaterals).

Loan impairment charges in the P&L fell to 45.3 M.€ in the 1st quarter 2014.

The net credit loss in the 1st quarter 2014, which corresponds to the amount of impairment charges recognised in the period, net of recoveries of arrear loans and interest written off, was 0.64% of the loan portfolio's average balance, in annualised terms.

Customer deposits increased 582 M.€ (+2.4%) year-on-year to 24.7 Bi.€ At 31 March 2014, in the consolidated accounts, the transformation ratio of deposits into loans was 94%.

The pension liabilities under the Bank's responsibility amounted to 1 089 M.€ at the end of March 2014 and were 110% covered by the pension fund assets.



In January 2014, Moody's upgraded the Outlook on the rating notations assigned to Banco BPI to "stable" and in May S&P also upgraded to "stable" the Outlook on Banco BPI ratings.

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.

CAPITAL AND COCO REDEMPTION

Early redemption of CoCo

On 19 March 2014, BPI reimbursed 500 M.€ of CoCo, reducing the amount held by the State to 420 M.€

On 23 April 2014, the Board of Directors of Banco BPI decided to request to the competent authorities the approval of a request to redeem the totality of the CoCo held by the State, in the amount of 420 M.€

Considering the repayment of the 420 M.€ of CoCo (and before considering the positive impact from capital optimization operations envisaged), the Core Tier 1 ratios proforma as of 31 March 2014 would be:

- Core Tier 1 CRD IV / CRR *fully implemented* ratio of 7.4%, which corresponds to an excess capital of 69 M.€ relative to the minimum ratio of 7%.
- Core Tier 1 ratio according to the CRD IV / CRR rules for 2014 of 11.1%, which corresponds to an excess capital of 567 M.€ relative to the ECB benchmark of 8%.

EBA's Recommendation on new capital preservation requirements published on 22 July 2013

On 22 July 2013, following the entry into force of the new capital rules established by CRD IV/CRR, EBA has made public the decision to replace its 2011 Recommendation with new measures on capital preservation. The new rules foresee, among other issues, that Banks maintain the amount of capital in euros necessary to comply with the capital requirements set by the previous EBA recommendation with reference to 30 June 2012, or a lower amount, as long as they comply with a Core Tier 1 capital ratio of 7.0% according to CRD IV "fully implemented" rules (that is, without benefiting from the phasing-in period envisaged in those rules).

Core Tier 1 capital ratios according to CRD IV / CRR rules

Core Tier 1 ratios at 31 March 2014

At 31 March 2014 the Bank presents a Core Tier 1 ratio of 9.7%, calculated according to CRD IV / CRR fully implemented rules, which corresponds to an excess capital of 489 M.€ relative to the minimum Core Tier 1 ratio of 4.5% and the capital conservation buffer of 2.5% (ratio of 7%).

The most important changes in core capital that occurred in the 1st quarter 2014 were the following:

- Repayment of 500 M.€ of contingent capital bonds (CoCo) in 19 March 2014, which resulted in a reduction in excess capital¹ by the same amount (500 M.€);
- Appreciation by 191 M.€ of the medium and long term public debt of Portugal and Italy held in the portfolio of financial assets available for sale. This amount results from the reduction in unrealized losses from 418 M.€ in Dec.13 to 95 M.€ in Mar.14, coupled with the losses of 132 M.€ (before taxes) incurred in the quarter with the sale of 50% of the position held in public debt of Portugal and Italy. The joint impact of the appreciation in the portfolio and the above mentioned sales in excess core capital was positive by 183 M.€

1) Relative to a minimum ratio of 7% considering CRD IV / CRR fully implemented rules.

- Sale of subordinated bonds from European insurers, with an impact of 86 M.€ in excess capital¹.

Own funds and own funds requirements

Amounts in M.€

	CRD IV / CRR Phasing in (rules for 2014)		CRD IV / CRR Fully implemented	
	31 Dec. 13	31 Mar. 14	31 Dec. 13	31 Mar. 14
Core capital	3 375.0	2 798.2	2 373.9	2 022.2
Risk weighted assets	21 616.0	21 191.9	21 125.7	20 803.0
Core tier 1 capital ratio	15.6%	13.2%	11.2%	9.7%

Note: According to the previous Bank of Portugal rules, in force until 31 December 2013, the Core Tier 1 ratio at 31 March 2014 would be 14.0%.

The Core Tier 1 ratio calculated according to CRD IV / CRR rules for 2014 amounts to 13.2%, at 31 March 2014, which corresponds to an excess capital of 987 M.€ relative to the benchmark of 8%² to be considered in the banks' assessment that the ECB will carry out.

Leverage and Liquidity ratios according to CRD IV / CRR rules

At 31 March 2014, the leverage ratio stands at 5.6% according to CRD IV fully implemented rules. Considering the 420 M.€ redemption of CoCo above mentioned, the proforma leverage ratio according to CRD IV fully implemented rules would be 3.7%.

At 31 March 2014, the Liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) stand at 464% and 106% according to CRD IV *Fully Implemented* rules.

Opportunities for improving Core Tier 1

Public Exchange Offer on subordinated securities for BPI shares

BPI expects to carry out in the 2nd quarter of 2014 a voluntary Public Exchange Offer directed to the holders of the preference shares and subordinated debt securities, issued by it, offering in return exclusively shares to be issued by Banco BPI.

Assuming the completion of the exchange offer of preference shares and subordinated debt by BPI shares with an acceptance rate of 75%, BPI's CET1 excess could increase by 94 M. € on that date, ceteris paribus.

1) Relative to a minimum ratio of 7% considering CRD IV / CRR fully implemented rules.

2) On 23 October, the European Central Bank (ECB) announced the details of the banks' assessment to be conducted in preparation to assume responsibility for banking supervision, under the single supervisory mechanism. This assessment will be based on a benchmark of 8% Core T1 according to the definition of CRD IV phased in.

Deferred Tax Assets

Assuming that it is applied in Portugal a similar solution to the one implemented in Spain and that the deferred tax assets related to pensions and provisions in a total of 249 M.€ (amounts as of 31 March 2014) cease to deduct from capital, the Core Tier 1 excess would increase by 227 M€.

Core Tier I ratio proforma following the repayment of 420 M.€ of CoCo's and impacts of the opportunities for improving core capital

Considering the previously mentioned impacts of the opportunities for improving Core Tier 1 capital and following the repayment of the 420 M.€ of CoCos, the Core Tier 1 ratios at 31 March proforma would be:

- Core Tier 1 CRD IV / CRR *fully implemented* ratio of 9.2%, which corresponds to an excess capital of 390 M.€ relative to the minimum ratio of 7%.
- Core Tier 1 ratio according to the CRD IV / CRR rules for 2014 of 11.9%, which corresponds to an excess capital of 716 M.€ relative to the ECB benchmark of 8%.

BPI GROUP'S CONSOLIDATED RESULTS

Consolidated net income

Banco BPI posted in the 1st quarter of 2014 a consolidated net loss of 104.8 million euro (M.€). Earnings per share (Basic EPS) were -0.076€ (0.029€ in the 1st quarter 2013).

Consolidated net profit in 1st quarter 2014 has been penalized by the negative contribution of 129.2 M.€ in the domestic activity and is especially influenced by losses of 102 M.€ (-132 M.€ before taxes) incurred with the sale of medium and long term public debt of Portugal and Italy, and continues to be affected by the cost of CoCo's and the maintenance of the cost of time deposits at high levels, and the low Euribor interest rates.

The international activity had a positive contribution for consolidated net profit of 24.4 M.€ (+26.4% relative to the 1st quarter 2013).

Income statement

Amounts in M.€

	2013	2014	Chg. 1Q.13 / 1Q.14	
	1Q	1Q	Chg.M.€	Chg.%
Net interest income	116,2	112,0	(4,1)	(3,6%)
Technical results of insurance contracts	5,7	6,9	1,2	21,5%
Commissions and other similar income (net)	71,8	71,7	(0,1)	(0,2%)
Gains and losses in financial operations	155,6	(91,7)	(247,3)	(158,9%)
Operating income and charges	(4,7)	(4,1)	0,6	12,4%
Net operating revenue	344,6	94,8	(249,8)	(72,5%)
Personnel costs, excluding non-recurring costs	92,5	89,8	(2,7)	(2,9%)
Outside supplies and services	58,5	59,4	0,9	1,5%
Depreciation of fixed assets	8,1	7,6	(0,4)	(5,6%)
Operating costs, excluding non-recurring costs	159,1	156,8	(2,3)	(1,4%)
Non-recurring costs	(3,3)		3,3	100,0%
Operating costs	155,8	156,8	1,1	0,7%
Operating profit before provisions	188,8	(62,0)	(250,8)	(132,8%)
Recovery of loans written-off	5,3	4,3	(1,0)	(19,1%)
Loan provisions and impairments	69,8	45,3	(24,4)	(35,0%)
Other impairments and provisions	46,5	3,4	(43,2)	(92,8%)
Profits before taxes	77,8	(106,4)	(184,2)	(236,9%)
Corporate income tax	24,4	(22,7)	(47,2)	(193,1%)
Equity-accounted results of subsidiaries	5,7	5,3	(0,4)	(7,3%)
Minority shareholders' share of profit	18,5	26,4	7,9	42,7%
Net Profit	40,5	(104,8)	(145,3)	(358,8%)

Return on shareholders' equity (ROE)

The return on shareholders' equity (ROE) was -5.2% in the 1st quarter 2014.

The contribution of domestic activity to consolidated net profit in the 1st quarter 2014 was negative by 129.2 M.€

In the international activity, in its individual accounts, BFA's posted a return on shareholders' equity (ROE) of 29.9% in the 1st quarter 2014 and BCI's ROE reached 14.9%.

The contribution of international activity to consolidated net profit in the 1st quarter 2014 stood at 24.4 M.€ and the ROE of international activity, after consolidation adjustments, reached 26.9%.

Capital allocation, recurring profit and ROE by business area in the 1st quarter 2014

Amounts in M.€

	Domestic Activity				International activity		BPI Group (consolidated)
	Commer- cial Banking	Investment Banking	Shareholdings and other	Total	BFA (individual accounts)	Contribution to consolidated (BFA, BCI and Other)	
Capital allocated adjusted (M.€) ¹	1 797,6	34,7	14,8	1 847,2	659,0	363,1	2 210,3
As % of total	81,3%	1,6%	0,7%	83,6%	-	16,4%	100,0%
Net profit (M.€) ²	(136,1)	5,7	1,2	(129,2)	49,2	24,4	(104,8)
ROE ³	-13,3%	65,2%	33,5%	-11,5%	29,9%	26,9%	-5,2%

1) The average capital considered in the calculation of ROE excludes the fair value reserve (net of deferred taxes) relating to the portfolio of available-for-sale financial assets. The allocated capital to each individual area of domestic activity, excluding the fair value reserve, is adjusted to reflect a capital employment equal to the average capital employed in the domestic activity. Accounting capital is used in the international activity.

2) The contribution for consolidated profit of the domestic activity business areas has been adjusted by the capital reallocation.

3) Annualised return; the capital losses realised with the sale of Portuguese and Italian medium and long term public debt in the 1st quarter (losses of 102 M.€ after taxes) were not annualised.

Loans and resources

At 31 March 2014, the net consolidated Customer loans portfolio amounted to 25.8 Bi.€, which corresponds to a year-on-year contraction of 5.3%. Customer deposits increased by 582 M.€, year-on-year (+2.4%).

Recourse to the European Central Bank of 4.0 Bi.€

At 31 March 2014, the amount of funding raised by BPI from the Eurosystem (ECB) totalled 4.0 Bi.€. On the same date, BPI had a deposit balance of 0.5 Bi.€ with the ECB, so that the net total funding was 3.5 Bi.€

Transformation ratio of deposits into loans

At 31 March 2014, in the consolidated accounts, the transformation ratio of deposits into loans is 94%¹.

1) Calculated in accordance with Bank of Portugal Instruction 23 / 2011. Includes deposits of BPI Vida e Pensões.

Income and costs

Consolidated **net operating revenue** decreased by 72.5% (-249.8 M.€) relative to the 1st quarter 2013, which is mainly explained by the fall in profits from financial operations by 247.3 M.€, from 155.6 M.€ in the 1st quarter of 2013 to -91.7 in the 1st quarter of 2014, once it includes in the 1st quarter of 2014 losses with the sale of medium and long term public debt of Portugal and Italy (losses of 132 M.€ before taxes).

Net interest income declined by 3.6% (-4.1 M.€), and commissions changed by -0.2% (-0.1 M.€) yoy.

Consolidated operating costs, excluding non-recurring items, declined by 2.3 M.€ (-1.4%) year-on-year, benefiting from the 1.4 M.€ drop (-1.1%) seen in domestic activity. Including non-recurring items, the aforesaid variations are +0.7% and +1.6%, respectively.

The consolidated efficiency ratio – operating costs as a percentage of net operating revenue -, considering the income and costs accounted over the last 12 months and excluding non-recurring impacts in costs and income, was 68.3%.

Quality of the loan portfolio

At 31 March 2014, the ratio of **Customer loans in arrears for more than 90 days** was situated at 3.7% in the consolidated accounts. The **credit at risk**¹ ratio stood at 5.2% in the consolidated accounts.

Loan portfolio quality – consolidated accounts

Amounts in M.€

	Mar. 13		Dec. 13		Mar. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loans in arrears (+90 days)	928,0	3,3%	976,3	3,6%	981,7	3,7%
Credit at risk (Instruction 23/2011 BoP)	1 253,4	4,7%	1 277,0	5,1%	1 291,9	5,2%
Loans impairments (in the balance sheet)	896,5	3,2%	978,7	3,6%	1 022,8	3,8%
Write offs (in the period)			84,8		0,6	
Note:						
Gross loan portfolio	28 042,3		26 897,1		26 732,8	

1) As % of the gross loan portfolio

1) Calculated in accordance with Bank of Portugal Instruction 23 / 2011. For purposes of calculating the non-performing ratio according, the perimeter of the Group subject to the Bank of Portugal supervision is taken into account which results, in the case of BPI, in the recognition of BPI Vida e Pensões using the equity method (whereas in accounting reporting, in accordance with IAS / IFRS, that subsidiary is consolidated in full).

Cost of credit risk

In the 1st quarter of 2014 loan impairment charges of 45.3 M.€ were recorded (0.71% of the loan portfolio, in annualised terms). On the other hand, arrear loans and interest previously written off of 4.3 M.€ were recovered (0.07% of the loan portfolio, in annualised terms), with the result that impairments after deducting the abovementioned recoveries amounted to 41.1 M.€, which represents 0.64% of the loan portfolio, in annualised terms.

Loan portfolio quality

Amounts in M.€

	1st Q. 13		1st Q. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loan impairments	69,8	1,04%	45,3	0,71%
Recovery of loans and interest in arrears written-off	5,3	0,08%	4,3	0,07%
Loan impairments, after deducting the recovery of loans and interest in arrears written-off	64,5	0,96%	41,1	0,64%

1) As percentage of the average balance of the performing loans portfolio. Annualised figure.

Profitability, efficiency, loan quality and solvency

Consolidated indicators according to the Bank of Portugal Notice 23/2011

	31 Mar. 13	31 Mar. 14
Net operating revenue and results of equity accounted subsidiaries / ATA	3,2%	0,9%
Profit before taxation and minority interests / ATA	0,8%	-1,0%
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	15,5%	-16,6%
Personnel costs / net operating revenue and results of equity accounted subsidiaries ¹	25,5%	89,7%
Operating costs / net operating revenue and results of equity accounted subsidiaries ¹	44,5%	156,7%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	3,5%	4,1%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	0,3%	0,2%
Non-performing loans ratio ²	4,7%	5,2%
Non-performing loans ratio ² , net of accumulated loan impairments / loan portfolio (net)	1,6%	1,3%
Restructured loans as % of total loans ³		6,8%
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans ³		4,9%
Total capital ratio (according to Bank of Portugal rules)	14,9%	13,5% ⁴⁾
Tier I (according to Bank of Portugal rules)	14,8%	13,5% ⁴⁾
Core Tier I	15,0%	14,0% ⁴⁾
Loans (net) to deposits ratio	104%	94%

1) Excluding early-retirement costs.

2) Loans in arrears for more than 90 days + falling-due loans associated + restructured loans (previously with instalments in arrears for more than 90 days) + insolvencies that have not yet been included in loans in arrears for more than 90 days.

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

4) Includes the negative result for the 1st quarter 2014 (unaudited).

ATA = Average total assets.

DOMESTIC ACTIVITY RESULTS

Net income

The **net income** from domestic operations in the 1st quarter 2014 was negative by 129.2 M.€ (net profit of 21.2 M.€ in the 1st quarter of 2013), which was mainly affected by losses of 102 M.€ (132 M.€ before taxes) incurred with the sale of 50% of the position held in medium and long term public debt of Portugal and Italy.

Income statement

Amounts in M.€

	2013 1Q	2014 1Q	Chg. 1Q.13 / 1Q.14	
			Chg.M.€	Chg.%
Net interest income	73,4	63,5	(10,0)	(13,6%)
Technical results of insurance contracts	5,7	6,9	1,2	21,5%
Commissions and other similar income (net)	58,9	58,4	(0,5)	(0,8%)
Gains and losses in financial operations	137,3	(120,1)	(257,3)	(187,5%)
Operating income and charges	(4,7)	(3,4)	1,3	27,4%
Net operating revenue	270,5	5,3	(265,3)	(98,1%)
Personnel costs, excluding non-recurring costs	76,2	74,8	(1,4)	(1,9%)
Outside supplies and services	45,1	45,7	0,6	1,4%
Depreciation of fixed assets	4,8	4,2	(0,6)	(12,0%)
Operating costs, excluding non-recurring costs	126,1	124,7	(1,4)	(1,1%)
Non-recurring costs	(3,3)		3,3	100,0%
Operating costs	122,8	124,7	1,9	1,6%
Operating profit before provisions	147,8	(119,5)	(267,2)	(180,8%)
Recovery of loans written-off	4,6	3,9	(0,7)	(15,8%)
Loan provisions and impairments	67,7	42,1	(25,6)	(37,8%)
Other impairments and provisions	45,8	2,6	(43,1)	(94,2%)
Profits before taxes	38,9	(160,3)	(199,2)	(512,5%)
Corporate income tax	19,9	(29,4)	(49,3)	(247,7%)
Equity-accounted results of subsidiaries	2,6	3,6	1,0	39,6%
Minority shareholders' share of profit	0,4	1,8	1,5	420,1%
Net Profit	21,2	(129,2)	(150,4)	(708,8%)

Resources and loans

Resources

Customer deposits amounted to 18.9 Bi.€ at the end of March 2014 (+0.3% yoy).

Capitalisation insurance and off-balance sheet resources (unit trust funds, Retirements savings – PPR - and equity savings – PPA - plans) registered a growth of 27.8% and 4.7% yoy, respectively.

Total Customer resources increased by 1.6% year-on-year, to 26.1 Bi.€

Customers resources

Amounts in M.€

	Mar.13	Dec.13	Mar.14	Chg.% Mar.13/ Mar.14
On-balance sheet resources				
Customers' deposits	18 853,4	18 906,9	18 902,9	0,3%
Retail bonds	1 585,5	912,0	837,0	(47,2%)
Subtotal	20 438,9	19 818,9	19 740,0	(3,4%)
Capitalisation insurance and PPR (BPI Vida)	2 709,4	3 205,8	3 463,9	27,8%
On-balance sheet resources	23 148,3	23 024,6	23 203,8	0,2%
Off-balance sheet resources ¹⁾	3 066,8	3 137,6	3 209,9	4,7%
Total Customer resources²⁾	25 669,8	25 923,6	26 085,7	1,6%

1) Unit trust funds, PPR and PPA.

2) Corrected for double counting.

Loans

The **Customer loans portfolio** in domestic operations contracted by 5.5% (-1.4 Bi.€), in year-on-year terms.

Loans to large and medium-sized companies declined by 6.8% (-0.4 Bi.€), when one takes into account, both the Corporate Banking loan book and the BPI Vida e Pensões securitised loan portfolio, which corresponds essentially to bonds and commercial paper issued by large Portuguese companies.

Loans domiciled at the Madrid branch fell by 8.9% (-0.15 Bi.€) and loans to the public sector decreased by 9.2% (-0.2 Bi.€).

The loans to individuals and small businesses portfolio presents a year-on-year decline of 4.6% (-0.7 Bi.€), with decreases of 3.2% (-0.4 Bi.€) in mortgage loans and of 9.9% (-0.15 Bi.€) in loans to small businesses.

It is worth noting that within the scope of the agreed transfer of part of the pension liabilities to the social security system, the State undertook to buy from Banco BPI loans advanced to the Public Sector of 0.7 Bi.€, an operation which has not yet taken place.

Loans to Customers

Amounts in M.€

	Mar.13	Dec.13	Mar.14	Chg.% Mar.13/ Mar.14
Corporate banking	4 796,3	4 049,9	3 818,8	(20,4%)
Large companies	2 123,5	1 702,8	1 529,7	(28,0%)
Medium-sized companies	2 672,8	2 347,0	2 289,1	(14,4%)
Project Finance - Portugal	1 204,0	1 158,4	1 151,9	(4,3%)
Madrid branch	1 718,6	1 555,1	1 565,4	(8,9%)
Project Finance	744,7	739,5	735,5	(1,2%)
Corporates	973,9	815,6	829,9	(14,8%)
Public Sector	2 173,2	1 979,1	1 973,9	(9,2%)
Central Administration	115,1	104,6	104,6	(9,1%)
Regional and local administrations	891,6	771,4	800,1	(10,3%)
State Corporate Sector - in the budget perimeter	189,8	192,6	207,6	9,4%
State Corporate Sector - outside the budget perimeter	910,3	863,7	817,9	(10,2%)
Other Institutional	66,3	46,9	43,6	(34,2%)
Individuals and Small Businesses Banking	14 224,7	13 728,0	13 564,7	(4,6%)
Mortgage loans to individuals	11 675,6	11 386,3	11 305,1	(3,2%)
Consumer credit / other purposes	665,8	601,1	585,4	(12,1%)
Credit Cards	145,6	165,0	146,8	0,8%
Car financing	210,9	164,3	151,7	(28,1%)
Small businesses	1 526,8	1 411,3	1 375,7	(9,9%)
BPI Vida	1 364,9	1 725,1	1 923,2	40,9%
Loans in arrears net of impairments	125,4	82,8	40,2	(68,0%)
Other	488,0	615,0	631,4	29,4%
Total	26 095,1	24 893,5	24 669,5	(5,5%)

Financial assets available for sale

In the 1st quarter of 2014, Banco BPI sold 50% of the position held in medium and long term public debt of Portugal and Italy, in the nominal amount of 850 million euros and 487.5 million euros, respectively. By the end of 2013, the Bank had already sold its entire position in Irish public debt, in the amount of 335 million euros.

The sale of the bonds of Portugal and Italy generated total losses (in the securities and in the hedging interest rate derivatives) of 132 million euros before taxes and 102 million euros after taxes.

At the end of March 2014, the portfolio of financial assets available for sale amounted to 6.0 Bi.€, at market prices. This portfolio was comprised by 3.5 Bi.€ of Portuguese Treasury Bills, 1.0 Bi.€ of Portuguese Treasury Bonds, 0.5 Bi.€ of Italian public debt, 0.6 Bi.€ of corporate bonds, 0.1 Bi.€ of equities and 0.3 Bi.€ of participating units.

By the end of March 2014, the fair value reserve (net of deferred taxes) relative to the financial assets available for sale was negative by 99 M.€.

Portfolio of assets available for sale

Amounts in M.€

M.€	31 Dec. 2013					31 Mar. 2014				
	Acquisition value	Book value	Gains / (losses) ¹⁾			Acquisition value	Book value	Gains / (losses) ¹⁾		
			in securities	in derivatives	Total			in securities	in derivatives	Total
Public debt	6 241	6 221	- 69	- 341	- 410	4 874	5 009	98	- 185	- 87
Portugal	5 238	5 163	- 122	- 210	- 332	4 369	4 463	50	- 114	- 64
Of which										
TBonds	1 809	1 681	- 130	- 210	- 340	904	956	42	- 114	- 72
TBills	3 429	3 483	8		8	3 465	3 507	8		8
Italy	1 004	1 058	53	- 131	- 78	505	546	48	- 71	- 23
Corporate Bonds	747	794	23	- 65	- 42	594	631	22	- 50	- 28
Equities	133	104	17		17	133	109	21		21
Other	310	291	- 2		- 2	311	285	- 5		- 5
Total	7 432	7 411	- 31	- 406	- 437	5 912	6 034	136	- 235	- 99

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

Liquidity

At the close of March 2014, the resources raised by BPI from the European Central Bank (ECB) amounted to 4.0 Bi.€ and the Bank had a deposit balance of 0.5 Bi.€ with the ECB, so that the net total funding was 3.5 Bi.€. This amount is close to the value of the Treasury Bills portfolio held (balance sheet value of 3.5 Bi.€).

On the same date, BPI still had 5.8 Bi.€ of additional assets (net of haircuts) capable of being transformed into liquidity via operations with the ECB.

It must also be noted that the refinancing needs for medium and long-term debt up till the end of 2018, net of the maturities of bonds held (excluding the Treasury Bills portfolio previously mentioned), are low (1.1 Bi.€) while in 2019 1.4 Bi.€ of the MLT Eurozone sovereign debt held by BPI in portfolio will be redeemed.

Additionally, BPI has the intention to reimburse the 420 M.€ of CoCo currently held by the State until the end of the 1st half of 2014. Banco BPI's Board of Directors decided to request to the competent authorities the approval of the corresponding redemption request.

Net operating revenue

Net operating revenue generated by domestic operations decreased by 265.3 M.€, from 270.5 M.€ in the 1st quarter of 2013 to 5.3 M.€ in the 1st quarter of 2014. This reduction is mainly explained by the fall in profits from financial operations from 137.3M.€ in the 1st quarter of 2013 to -120.1 M.€ in the 1st quarter of 2014 (change of 257.3 M.€), as in the 1st quarter of 2013 it includes capital gains of 129.3 M.€ with the sale of Treasury Bonds acquired in 2012 and in the 1st quarter of the current year it includes losses of 132 M.€ with the sale of 50% of the position in Portuguese and Italian medium and long term public debt.

Net interest income decreased by 13.6% (-10 M.€) yoy. The fall in net interest income mainly reflects:

- the reduction in interest income from the portfolio of T-Bills and the portfolio of T-Bonds (acquired in 2012 and sold until the end of January 2013) by 15 M.€;
- the reduction of the cost with CoCo by 5.8 M.€

Net interest income remains pressured by the following factors:

- cost of the contingent convertible subordinated bonds. In the 1st quarter of 2014 were recorded 18.2 M.€ of interest costs relating to those bonds (24.0 M.€ in the 1st quarter of 2013). It should be noted that the impact of the repayment of 500 M.€ of CoCo carried out in 19 March 2014 has a residual impact in 1st quarter 2014 net interest income;
- Euribor interest rates at historical minimums, as it is directly reflected in the contraction in the average margin on sight deposits (average Euribor 3M in the 1st quarter 2014 stood at 0.30%);
- cost of term deposits. It is worth mentioning that the (negative) margin on term deposits records an improvement, from 1.90% in the 1st quarter of 2013 to 1.71% in the 1st quarter of 2014.

Commissions (net) were stable (decrease of 0.8% or -0.5 M.€) year-on-year, since the reduction in Commercial Banking commissions by 2.3 M.€ (-5.2%) was roughly offset by the increase in Investment Banking commissions by 1.3 M.€ (+32%) and Asset Management commissions by 0.5 M.€ (+5.1%).

Net commissions and fees

Amounts in M.€

	31 Mar. 13	31 Mar. 14	Chg. M.€	Chg.%
Commercial banking ¹⁾	44,9	42,6	- 2,3	(5,2%)
Asset management	9,8	10,3	+0,5	5,1%
Investment banking ¹⁾	4,2	5,5	+1,3	32,1%
Total	58,9	58,4	- 0,5	(0,8%)

1) Excluding commissions from unit trust, pension funds and Private Banking, which are presented, in aggregate terms, in the caption "Asset management".

Profits from financial operations in domestic operations decreased from 137.3 M.€ in the 1st quarter of 2013 to -120.1 M.€ in the 1st quarter of 2014 (change of -257.3 M.€) as in the 1st quarter of 2013 it included gains of 129.3 M.€ with the sale of Treasury Bonds acquired in 2012 and in the 1st quarter of 2014 it includes losses of 132 M.€ with the sale of 50% of the position in Portuguese and Italian medium and long term public debt.

Equity-accounted results of subsidiaries

The **equity-accounted results of subsidiaries** in domestic operations amounted to 3.6 M.€, which corresponds to a year-on-year increase of +1.0 M.€. The contribution of the subsidiaries from the insurance sector amounted to 3.1 M.€ (contribution of 1.9 M.€ from Allianz Portugal and 1.2 M.€ from Cosec).

Equity-accounted earnings

			Amounts in M.€
	31 Mar. 13	31 Mar. 14	Chg. M.€
Insurance companies	2,8	3,1	+0,4
Allianz Portugal	2,3	1,9	- 0,3
Cosec	0,5	1,2	+0,7
Finangeste	(0,2)	(0,1)	+0,0
Unicre	(0,0)	0,6	+0,6
Other	0,0	0,0	+0,0
Total	2,6	3,6	+1,0

Operating costs

Recurring **operating costs** decreased by 1.1% relative to the 1st quarter 2013 (-1.4 M.€).

Recurring **personnel costs** were down 1.9% (-1.4 M.€) relative to 1st quarter 2013, which chiefly resulted from the 1.9 % reduction (y-o-y) in the average headcount engaged in domestic operations, reflecting in part the execution of early retirement programmes.

Third-party supplies and services registered a 1.4% increase (+0.6 M.€), while depreciation and amortization decreased 12% (-0.6 M.€) yoy.

Operating costs

Amounts in M.€

	31 Mar. 13	31 Mar. 14	Chg. M.€	Chg.%
Personnel costs, excluding non-recurring costs	76,2	74,8	- 1,4	(1,9%)
Outside supplies and services	45,1	45,7	+0,6	1,4%
Depreciation of fixed assets	4,8	4,2	- 0,6	(12,0%)
Operating costs, excluding non-recurring costs	126,1	124,7	- 1,4	(1,1%)
Non-recurring costs ¹⁾	-3,3		+3,3	100,0%
Operating costs	122,8	124,7	+1,9	1,6%
Operating costs as a % of net operating revenue (last 12 months) ²⁾	70,9%	87,0%		

1) A gain of 3.3 M.€ booked in the 1st quarter 2013 resulting from changes in the calculation of the death subsidy following the publication of Decree-Law 13/2013 of 25 January, which gave rise to a decrease in pension liabilities.

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

The efficiency ratio in domestic operations – operating costs as a percentage of net operating revenue –, excluding non-recurring impact in income and costs, was situated at 87.0% in the 12 month period ending in March 2014.

Cost of credit risk

In 1st quarter 2014 loan impairment charges of 42.1 M.€ were recorded in the domestic activity accounts. The indicator loan impairment allowances as a percentage of the loan portfolio's average balance was situated at 0.69% in the 1st quarter of 2014, in annualised terms (1.05% in the 1st quarter of 2013).

On the other hand, arrear loans and interest of 3.9 M.€ previously written off were recovered (0.06% of the loan portfolio in annualised terms), with the result that impairments after deducting the abovementioned recoveries amounted to 38.2 M.€ in the 1st quarter of 2014, which represents 0.62% of the loan portfolio in annualised terms.

Credit risk cost

Amounts in M.€

	1st Q. 13		1st Q. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loan impairments	67,7	1,05%	42,1	0,69%
Recovery of loans and interest in arrears written-off	4,6	0,07%	3,9	0,06%
Loan impairments, after deducting the recovery of loans and interest in arrears written-off	63,1	0,98%	38,2	0,62%

1) As percentage of the average balance of the performing loans portfolio. Annualised figure.

Quality of the loan portfolio

At 31 March 2014, the ratio of **Customer loans in arrears for more than 90 days** stood at 3.6% in the domestic operations' accounts.

Cover for loans in arrears for more than 90 days by accumulated impairment allowances in the balance sheet (without considering cover from associated guarantees) was situated at 102% in March 2014.

The **credit at risk** ratio, calculated in accordance with Bank of Portugal¹⁾ Instruction 23/2011 was 5.2% on that date. The accumulated impairment allowances in the balance sheet represented 78% of the credit at risk.

Loans in arrears for more than 90 days, falling due loans associated, credit at risk and loan impairments

	Mar. 13		Dec. 13		Mar. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loans in arrears (+90 days)	870,8	3,2%	925,9	3,6%	930,7	3,6%
Credit at risk (Instruction 23/2011 BoP)	1 164,1	4,6%	1 203,3	5,0%	1 219,0	5,2%
Loans impairments (in the balance sheet)	813,1	3,0%	904,0	3,5%	945,0	3,7%
Write offs (in the period)			84,8		0,6	
Note:						
Gross loan portfolio	26 866,9		25 755,9		25 574,5	

1) As % of the gross loan portfolio

The following table details by major credit segments the credit at risk ratio, calculated in accordance with Bank of Portugal Instruction 23/2011.

The increase in credit at risk in absolute value relative to March 2013 was explained by the deterioration in the corporate segment and in the loans in the Madrid branch. In the individuals and small businesses segment the credit at risk registers a reduction.

Credit at risk ratios (according to the Bank of Portugal Instruction 23/2011)

	Mar.13		Dec. 13		Mar.14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Corporate banking	535,6	5,2%	618,4	6,7%	633,8	7,1%
Individuals Banking	621,8	4,2%	580,1	4,1%	580,7	4,1%
Mortgage loans	401,8	3,4%	382,1	3,3%	385,9	3,3%
Other loans to individuals	47,6	4,5%	40,5	4,2%	43,2	4,7%
Small businesses	172,4	10,3%	157,5	10,1%	151,6	10,0%
Other	6,7	1,4%	4,8	0,8%	4,5	0,7%
Domestic activity	1 164,1	4,6%	1 203,3	5,0%	1 219,0	5,2%

1) As % of the gross loan portfolio

¹⁾ For purposes of calculating the credit at risk ratio (non-performing ratio), the perimeter of the Group subject to the Bank of Portugal supervision is taken into account which results, in the case of BPI, in the recognition of BPI Vida e Pensões using the equity method (whereas in accounting reporting, in accordance with IAS / IFRS, that subsidiary is consolidated in full).

Impairments for foreclosure properties

In the 4th quarter 2013, following the request of Bank of Portugal, BPI assessed the valuation of all its foreclosed properties. In that assets assessment exercise, BPI identified an excess coverage of 30.M.€, having adjusted in that quarter that excess of impairments.

At 31 March 2014, foreclosed properties amounted to 172.7 M.€, in terms of gross balance sheet value. The accumulated amount of impairment allowances for foreclosed properties of 33.6 M.€, covered 19.4% of their gross balance sheet value. The net value of these properties was therefore 139.1 M.€, which compared to a market value of these properties of 169.1 M.€.

Real estate loans recovery

Amounts in M.€

	Mar.13	Dec.13	Mar. 14
Mortgage			
Gross value	63,0	66,6	68,0
Impairments	28,0	2,7	2,5
Coverage by impairments	44,4%	4,0%	3,7%
Net value	35,1	63,9	65,5
Appraisal	77,2	78,5	81,3
Other			
Gross value	99,3	99,9	104,6
Impairments	38,1	30,5	31,0
Coverage by impairments	38,4%	30,6%	29,6%
Net value	61,2	69,4	73,6
Appraisal	93,0	81,9	87,7
Total			
Gross value	162,3	166,5	172,7
Impairments	66,1	33,2	33,6
Coverage by impairments	40,7%	19,9%	19,4%
Net value	96,2	133,3	139,1
Appraisal	170,2	160,4	169,1

Employee pension liabilities

At 31 March 2014 BPI's pension liabilities amounted to 1088.6 M.€ and are 110% covered by the pension fund.

Financing of pension liabilities

Amounts in M.€

	31 Mar. 13	31 Dec.13	31 Mar. 14
Pension obligations	939,9	1 082,4	1 088,6
Pension funds	1 033,3	1 131,9	1 202,1
Financing surplus	93,4	49,6	113,5
Cover of pension obligations	109,9%	104,6%	110,4%
Total actuarial deviations ¹⁾	(50,7)	(92,4)	(28,8)
Pension fund return	5,0%	16,2%	6,6%

1) Recognized directly in Shareholders' equity (OCI - Other Comprehensive Income), in accordance with the revision of IAS19 which became mandatory from 1 Jan. 2013.

Pension funds' income

In the 1st quarter of 2014, the Bank's pension funds posted a non-annualised return of 6.6%.

It should be pointed out that, up till the end of March 2014, the actual return achieved by Banco BPI's pension fund since its creation in 1991 was 9.2% per year, and that in the last ten, five and three years, the actual annual returns were 7.3%, 10.8% and 11.8%, respectively.

Change in actuarial assumptions

At the end of 2013, BPI reduced the discount rates by 0.5 p.p. (from 4.83% to 4.33% for current employees and from 4.00% to 3.50% in the case of retirees¹) and the pension fund's assumed return from 4.50% to 4.00%. On the other side, a longer life expectancy began to be considered for the population covered by virtue of, maintaining the mortality tables, considering 2 years / 3 years less than the actual age of the beneficiaries men / women, whereas 1 year less than the actual age was previously considered. In the 1st quarter of 2014 there has been no change in actuarial assumptions.

Actuarial assumptions

	Dec.12	Jun.13	Dec.13	Mar. 14
Discount rate - current employees	4,83%	4,83%	4,33%	4,33%
Discount rate - retirees	4,00%	4,00%	3,50%	3,50%
Salary growth rate	1,50%	1,50%	1,50%	1,50%
Pensions growth rate	1,00%	1,00%	1,00%	1,00%
Expected pension fund rate of return	5,50%	4,50%	4,00%	4,00%
Mortality table	(M): TV 73/77 – 1 year ⁽¹⁾		(M): TV 73/77 – 2 years ⁽²⁾	
	(W): TV 88/ 90 – 1 year ⁽¹⁾		(W): TV 88/ 90 – 3 years ⁽²⁾	

1) Beneficiaries were assumed to be one year younger than their actual age, that procedure translating into a higher life expectancy.

2) Men (M) and Women (W) were assumed to be two years and three years younger than their actual age, respectively, that procedure translating into a higher life expectancy.

1) The amount of pension liabilities that result from the use of discount rates for current and retirees employees of 4.33% and 3.50%, respectively, is similar to the one obtained in the case a unique global discount rate of 4.0% was used for the total population (5.5% in December 2012 and 4.5% in June 2013).

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 the 1st quarter 2014 merit special mention:

Trusted Brand

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.

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.

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.

INTERNATIONAL ACTIVITY RESULTS

Net income

The international activity's **net profit** stood at 24.4 M.€ in the 1st quarter of 2014 (+26.4% over the 19.3 M.€ obtained in the same period last year).

BFA's contribution to the Group's consolidated profit, which corresponds to a 50.1% appropriation of BFA's net profit by BPI, has totalled 23.4 M.€¹, 37.4% higher than the contribution in the same period last year (6.4 M.€). Minority interests of 24.5 M.€ were recognised in BFA's net profit (18.1 M.€ in the 1st quarter of 2013).

The contribution to the consolidated net profit of the 30% participating interest in BCI (Mozambique), which is equity-accounted, stood at 1.5 M.€ (2.8 M.€ in the 1st quarter of 2013).

BFA's **return on the average Shareholders' equity** (individual accounts) stood at 29.9% in the 1st quarter of 2014 and BCI's return on the average Shareholders' equity reached 14.9%.

The return on the average Shareholders' equity allocated to the international activity, after consolidation adjustments, stood at 26.9% in the 1st quarter of 2014.

Income statement

Amounts in M.€

	2013	2014	Chg. 1Q.13 / 1Q.14	
	1Q	1Q	Chg.M.€	Chg.%
Net interest income	42,7	48,6	5,8	13,6%
Technical results of insurance contracts				
Commissions and other similar income (net)	13,0	13,3	0,4	2,7%
Gains and losses in financial operations	18,3	28,4	10,0	54,8%
Operating income and charges	(0,0)	(0,7)	(0,7)	
Net operating revenue	74,0	89,5	15,5	21,0%
Personnel costs	16,3	15,0	(1,3)	(7,9%)
Outside supplies and services	13,4	13,7	0,3	2,1%
Depreciation of fixed assets	3,3	3,4	0,1	3,9%
Operating costs	33,0	32,1	(0,9)	(2,7%)
Operating profit before provisions	41,0	57,4	16,4	40,0%
Recovery of loans written-off	0,7	0,4	(0,3)	(42,8%)
Loan provisions and impairments	2,0	3,2	1,1	55,6%
Other impairments and provisions	0,8	0,7	(0,0)	(3,8%)
Profits before taxes	38,9	53,9	15,0	38,6%
Corporate income tax	4,5	6,6	2,1	45,6%
Equity-accounted results of subsidiaries	3,1	1,6	(1,4)	(46,8%)
Minority shareholders' share of profit	18,1	24,5	6,4	35,4%
Net Profit	19,3	24,4	5,1	26,4%

1) Contribution of BFA to the Group's consolidated profit, net of taxes on dividends.

Customer resources and loans

Total Customer resources in the international activity, measured in euro (consolidation currency), have increased by 10.1%¹, reaching 5 781.3 M.€ in March 2014.

Customers resources

Amounts in M.€

	Mar.13	Dec.13	Mar.14	Chg.% Mar.13/ Mar.14
Sight deposits	2 784,9	3 028,6	3 152,8	13,2%
Term deposits	2 463,9	2 616,0	2 628,5	6,7%
Total	5 248,8	5 644,6	5 781,3	10,1%

BFA's market share in deposits reached 15.4% in February 2014, granting it the third post in the Angolan market ranking.

The **loans to Customers portfolio**, expressed in euro, decreased 1.0%¹, from 1 097.9 M.€ in March 2013, to 1 087.0 M.€ in March 2014.

Loans to Customers

Amounts in M.€

	Mar.13	Dec.13	Mar.14	Chg.% Mar.13/ Mar.14
Performing loans	1 105,8	1 081,5	1 098,7	(0,6%)
Loans in arrears	60,8	52,0	52,9	(13,0%)
Loan impairments	(77,4)	(69,5)	(71,3)	(8,0%)
Interests and other	8,8	7,7	6,8	(23,1%)
Total	1 097,9	1 071,6	1 087,0	(1,0%)
Guarantees	216,5	227,6	263,0	21,5%

Securities portfolio

At 31 March 2014, BFA's **securities portfolio** totalled 2 708 M.€, or 41% of the Bank's assets. The portfolio of short-term securities, comprising Treasury Bills, amounted to 548 M.€ at the end of March (+149 M.€ relative to March 2013) and the Treasury Bonds portfolio amounted to 2 156 M.€ (+619 M.€ relative to the 1st quarter 2013).

Customers

The **number of Customers** has increased by 10.4%, from 1.1 million Customers in March 2013 to close to 1.2 million Customers in March 2014.

1) When expressed in American dollars, Customer resources increased 18.4% yoy and the loan portfolio increased 6.4% yoy. When analysing the evolution of BFA's commercial activity, one considers the financial figures translated to US dollars, since the largest share of Customer resources and loans is denominated in U.S. dollars, hence changes expressed in that currency are more representative of the business evolution in Angola.

Physical distribution network

The **distribution network in Angola** increased 2.9% over the 1st quarter 2013. Five new branches were opened over the last 12 months. At the end of March 2014, the distribution network comprised 152 branches, 8 investment centres and 16 corporate centres, representing a market share of 17.0% as regards the number of branches.

BFA has been implementing an expansion programme, involving the opening of branches, an expressive increase in the headcount and staff skills, the launching of innovative products and services onto the market, and a segmented approach to Customers aiming at meeting and harnessing the huge potential for growth in the Angolan market.

Cards

BFA holds a prominent position in the **debit and credit cards** with a 22.5% market share in March 2014 in terms of valid debit cards. At the end of March 2014, BFA had 847 thousand valid debit cards (Multicaixa cards) and 16 402 active credit cards (Gold and Classic cards).

Automatic and virtual channels

As regards the **automatic and virtual channels**, we emphasize the growing use of electronic banking (434 thousand subscribers of BFA NET in March 2014, of which 424 thousand are individuals) and an extensive terminal network with 350 ATM and 5 058 active point-of-sale (POS) terminals connected to the EMIS network, corresponding to market shares of 15.7% (ranking 2nd) and 24.5% (ranking 1st), respectively.

Number of employees

BFA's workforce at the end of March 2014 stood at 2 443 employees, which represents an increase in staff of 123 (+5.3%) relative to the staff complement in March 2013. At the end of March 2014, BFA's workforce represented approximately 28% of the Group's total number of Employees.

Revenues and costs

Net operating revenue in the international activity reached 89.5 M.€ in the 1st quarter 2014 (+21.0% over the 1st quarter 2013).

This growth was mainly explained by the increase in net interest income (+5.8 M.€) and in profits from financial operations (+10.0 M.€).

Operating costs have decreased by 2.7% (-0.9 M.€) over the 1st quarter 2013.

Personnel costs decrease by 7.9% (-1.3 M.€) yoy.

The ratio "operating costs as percentage of net operating revenue" stood at 37.7% in from March 2013 to March 2014 (12 months).

Cost of credit risk

In the international activity, **loan provision charges** were 3.2 M.€ in 1st quarter 2014, which corresponded to 1.77% of the average performing loan portfolio in annualised terms.

On the other hand, 0.4 M.€ of loans and interests in arrears, previously written-off, were recovered.

Loan provisions, deducted from recoveries of loans in arrears, have thus reached 2.8 M.€ in the 1st quarter of 2014, corresponding to 1.03% of the average performing loan portfolio in annualised terms.

Loan impairments and recoveries

Amounts in M.€

	1st Q. 13		1st Q. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loan impairments	2,0	0,76%	3,2	1,17%
Recovery of loans and interest in arrears written-off	0,7	0,24%	0,4	0,14%
Loan impairments, after deducting the recovery of loans and interest in arrears written-off	1,4	0,52%	2,8	1,03%

1) As percentage of the average balance of the performing loans portfolio. Annualised figure.

At 31 March 2014, the ratio of Customer loans in arrears for more than 90 days stood at 4.4%. The provisioning coverage of loans in arrears for more than 90 days stood, at the end of March 2014, at 153%.

Loans in arrears for more than 90 days and impairments

	Mar. 13		Dec. 13		Mar. 14	
	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾	M.€	% of loan portfolio ¹⁾
Loans in arrears (+90 days)	57,2	4,9%	50,4	4,4%	51,0	4,4%
Credit a risk (Instruction 23/2011 BoP)	89,3	7,6%	73,8	6,5%	72,9	6,3%
Loans impairments (in the balance sheet)	83,4	7,1%	74,7	6,5%	77,8	6,7%
Write offs (in the period)						
Note:						
Gross loan portfolio	1 175,4		1 141,1		1 158,3	

1) As % of the gross loan portfolio

Equity-accounted results of subsidiaries

In the international activity, the equity-accounted earnings of subsidiaries amounted to 1.6 M.€ in the 1st quarter of 2014 (-1.4 M.€ over the 1st quarter of 2013)¹, and refer to the appropriation of 30% of the net profit earned by BCI, a commercial bank operating in Mozambique and in which BPI holds a 30% participating interest.

BCI recorded a 5.7% yoy increase in net total assets. Customer deposits have grown by 2.5% year-on-year, to 1 426 M.€ at the end of March 2014, while the Customer loan portfolio has expanded by 12.3% year-on-year, to 1 095 M.€. BCI market shares in deposits and loans, at the end of March 2014, reached 29.0% and 30.2%, respectively.

At the end of March 2014, BCI served 827 thousand clients (+39% relative to the 1st quarter 2013) through a network of 134 branches (+5 than one year before), representing 28.5% of the total Mozambican banking system distribution network. The staff complement reached 2 157 Employees at 31 March 2014 (+11.2% than in the 1st quarter 2013).

1) BCI's total contribution to consolidated net profit was of 2.8 M.€ in the 1st quarter 2013 and 1.5 M.€ in the 1st quarter 2014, given that, besides the equity-accounted results, deferred tax relating to the distributable earnings of BCI is recorded in the caption "Corporate income tax" (0.3 M.€ in the 1st quarter 2013 and 0.1 M.€ in the 1st quarter 2014).

Banco BPI, S.A.

**Consolidated financial statements as of
March 31, 2014 and 2013**

		31 Mar. 14		31 Dec. 13				
	Notes	Amounts before impairment, depreciation and amortisation	Impairment, depreciation and amortisation	Net	Net	Notes	31 Mar. 14	31 Dec. 13
ASSETS					LIABILITIES			
Cash and deposits at central banks	4.1	1 278 122		1 278 122	1 372 211	4.14	4 078 083	4 140 068
Deposits at other credit institutions	4.2	368 657		368 657	466 859	4.15/4.4	317 197	255 245
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	1 560 611		1 560 611	1 295 780	4.16	952 233	1 453 249
Financial assets available for sale	4.5	8 625 623	90 682	8 534 941	9 694 229	4.17	25 639 029	25 494 961
Loans and advances to credit institutions	4.6	2 576 826	2	2 576 824	1 886 070	4.18	2 511 940	2 598 455
Loans and advances to customers	4.7	26 732 821	976 319	25 756 502	25 965 133	4.19	1 329 143	1 387 296
Held to maturity investments	4.8	126 778		126 778	136 877	4.4	358 401	548 458
Hedging derivatives	4.4	172 728		172 728	194 043	4.20	121 478	123 780
Other tangible assets	4.9	699 251	506 099	193 152	197 337	4.21	2 897 565	2 689 768
Intangible assets	4.10	107 630	88 999	18 631	19 149	4.22	54 733	57 577
Investments in associated companies and jointly controlled entities	4.11	234 128		234 128	221 992	4.23	429 094	920 433
Tax assets	4.12	460 891		460 891	539 692	4.24	135 844	136 931
Other assets	4.13	722 272	36 328	685 944	710 378	4.25	586 555	587 199
					Total Liabilities		39 411 295	40 393 420
					SHAREHOLDERS' EQUITY			
					Subscribed share capital	4.26	1 190 000	1 190 000
					Other equity instruments	4.27	2 714	3 414
					Revaluation reserves	4.28	(125 601)	(362 280)
					Other reserves and retained earnings	4.29	1 164 527	1 041 005
					(Treasury shares)	4.27	(10 353)	(17 090)
					Consolidated net income of the BPI Group	4.43	(104 824)	66 839
					Shareholders' equity attributable to the shareholders of BPI		2 116 463	1 921 888
					Minority interests	4.30	440 151	384 442
					Total Shareholders' Equity		2 556 614	2 306 330
Total do Activo		43 666 338	1 698 429	41 967 909	42 699 750	Total Liabilities and Shareholders' Equity	41 967 909	42 699 750
OFF BALANCE SHEET ITEMS								
Guarantees given and other contingent liabilities	4.7/4.31			1 994 584	2 106 771			
Of which:								
[Guarantees and sureties]				[1 693 964]	[1 832 700]			
[Others]				[300 621]	[274 071]			
Commitments	4.31			2 928 428	3 020 342			

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

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.**CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**(Translation of statements originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	Notes	31 Mar. 14	31 Mar. 13
Interest and similar income		359 692	368 935
Interest and similar expenses		(254 061)	(260 013)
Financial margin (narrow sense)	4.32	105 631	108 922
Gross margin on unit links	4.33	927	650
Income from equity instruments		77	64
Net commission relating to amortised cost	4.34	5 405	6 531
Financial margin		112 040	116 167
Technical result of insurance contracts	4.35	6 889	5 668
Commissions received		72 695	70 785
Commissions paid		(9 521)	(9 552)
Other income, net		8 512	10 591
Net commission income	4.36	71 686	71 824
Gain and loss on operations at fair value		40 564	23 419
Gain and loss on assets available for sale		(132 672)	131 145
Interest and financial gain and loss with pensions		417	1 042
Net income on financial operations	4.37	(91 691)	155 606
Operating income		3 905	2 367
Operating expenses		(6 290)	(5 505)
Other taxes		(1 741)	(1 570)
Net operating income	4.38	(4 126)	(4 708)
Operating income from banking activity		94 798	344 557
Personnel costs	4.39	(89 764)	(89 160)
General administrative costs	4.40	(59 430)	(58 533)
Depreciation and amortisation	4.9/4.10	(7 617)	(8 065)
Overhead costs		(156 811)	(155 758)
Recovery of loans, interest and expenses		4 260	5 269
Impairment losses and provisions for loans and guarantees, net	4.20	(45 315)	(69 765)
Impairment losses and other provisions, net	4.20	(3 371)	(46 543)
Net income before income tax		(106 439)	77 760
Income tax	4.41	22 746	(24 433)
Earnings of associated companies (equity method)	4.42	5 258	5 672
Global consolidated net income		(78 435)	58 999
Income attributable to minority interests	4.30	(26 389)	(18 488)
Consolidated net income of the BPI Group	4.43	(104 824)	40 511
Earnings per share (in Euro)			
Basic		-0.076	0.029
Diluted		-0.075	0.029

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**(Translation of statements originally issued in Portuguese - Note 5)
(Amounts expressed in thousands of Euro)

	31 Mar. 14			31 Mar. 13		
	Attributable to shareholders' of the BPI Group	Attributable to minority interests	Total	Attributable to shareholders' of the BPI Group	Attributable to minority interests	Total
Consolidated net income	(104 824)	26 389	(78 435)	40 511	18 488	58 999
Income not included in the consolidated statements of income:						
Items that will not be reclassified to net income:						
Actuarial deviations	63 580		63 580	39 238		39 238
Tax effect	(14 455)		(14 455)	(12 155)		(12 155)
	49 125	0	49 125	27 083	0	27 083
Items that may be reclassified subsequently to net income:						
Foreign exchange translation differences	(2 030)	(35)	(2 065)	9 064	8 781	17 845
Revaluation reserves of financial assets available for sale	338 242		338 242	(1 554)		(1 554)
Tax effect	(99 533)		(99 533)	674		674
Valuation of assets of associated companies	13 551		13 551	2 943		2 943
Tax effect	(4 214)		(4 214)	(506)		(506)
	246 016	(35)	245 981	10 621	8 781	19 402
Income not included in the consolidated statements of income	295 141	(35)	295 106	37 704	8 781	46 485
Consolidated comprehensive income	190 317	26 354	216 671	78 215	27 269	105 484

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS
ENDED MARCH 31, 2014 AND 2013**

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

(Amounts expressed in thousands of Euro)

	Subscribed share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Treasury shares	Net income	Minority interests	Shareholders ' equity
Balance at December 31, 2012	1 190 000	8 558	(507 614)	786 175	(18 272)	249 135	352 662	2 060 644
Net profit for 2012				249 135		(249 135)		
Dividends paid on preference shares							(231)	(231)
Variable Remuneration Program (RVA)		(5 474)		3 603	785			(1 086)
Consolidation of BPI Alternative Fund							443	443
Comprehensive income for the first quarter of 2013			8 184	29 520		40 511	27 269	105 484
Others				7				7
Balance at March 31, 2013	1 190 000	3 084	(499 430)	1 068 440	(17 487)	40 511	380 143	2 165 261
Dividends paid to minority interests							(857)	(857)
Dividends paid on preference shares							(50 626)	(50 626)
Variable Remuneration Program (RVA)		330			397			727
Sale / purchase of own shares				(207)				(207)
Sale / purchase of preference shares				(3)			42	39
Consolidation of BPI Alternative Fund				(36)			(8 654)	(8 690)
Consolidation of BPI Alternative Fund Luxemburgo							18 288	18 288
Comprehensive income for the last nine months of 2013			137 150	(27 141)		26 328	46 071	182 408
Others				(48)			35	(13)
Balance at December 31, 2013	1 190 000	3 414	(362 280)	1 041 005	(17 090)	66 839	384 442	2 306 330
Net profit for 2013				66 839		(66 839)		
Dividends paid on preference shares							(361)	(361)
Variable Remuneration Program (RVA)		(700)			6 737			6 037
Sale / purchase of own shares				(1 779)				(1 779)
Consolidation of BPI Alternative Fund Luxemburgo							29 718	29 718
Comprehensive income for the first quarter of 2014			236 679	58 462		(104 824)	26 354	216 671
Others							(2)	(2)
Balance at March 31, 2014	1 190 000	2 714	(125 601)	1 164 527	(10 353)	(104 824)	440 151	2 556 614

The accompanying notes form an integral part of these statements.

BANCO BPI, S.A.**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED MARCH 31, 2014 AND 2013**

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

(Amounts expressed in thousands of Euro)

	31 Mar 14	31 Mar. 13
Operating activities		
Interest, commissions and similar income received	748 219	567 469
Interest, commissions and similar expenses paid	(550 125)	(324 726)
Recovery of loans and interest in arrears	4 261	5 269
Payments to personnel and suppliers	(135 208)	(136 796)
Net cash flow from income and expenses	67 147	111 216
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	1 146 813	1 447 771
Loans and advances to credit institutions	(690 490)	(23 096)
Loans and advances to customers	177 811	88 749
Other assets	117 081	(79 448)
Net cash flow from operating assets	751 215	1 433 976
Increase (decrease) in:		
Resources of central banks and other credit institutions	(564 564)	(1 161 397)
Resources of customers	365 568	378 604
Financial liabilities held for trading	61 952	(32 787)
Other liabilities	(185 780)	(56 029)
Net cash flow from operating liabilities	(322 824)	(871 609)
Contributions to the Pension Funds	(5 492)	(2 974)
Income tax paid	(15 468)	(818)
	474 578	669 791
Investing activities		
Purchase of other tangible assets and intangible assets	(3 777)	(4 031)
Sale of other tangible assets	61	32
Dividends received and other income	77	64
	(3 639)	(3 935)
Financing activities		
Liability for assets not derecognised	(58 305)	(39 181)
Issuance of contingent convertible subordinated bonds		12 823
Redemption of contingent convertible subordinated bonds	(500 000)	(200 000)
Issuance of debt securities and subordinated debt	70 687	
Redemption of debt securities	(164 928)	(505 358)
Purchase and sale of own debt securities and subordinated debt	30 627	111 938
Interest on contingent convertible subordinated bonds	(9 518)	(23 961)
Interest on debt securities and subordinated debt	(35 704)	(23 583)
Dividends paid on preference shares	(361)	(231)
Purchase and sale of treasury shares	4 258	(1 086)
	(663 244)	(668 639)
Net increase (decrease) in cash and equivalents	(192 305)	(2 783)
Cash and equivalents at the beginning of the period	1 839 039	1 722 717
Cash and equivalents at the end of the period	1 646 734	1 719 934

The accompanying notes form an integral part of these statements.

The Accountant

Alberto Pitôrra

The Executive Committee of the Board of Directors

Presidente Fernando Ulrich
Vice-Presidente António Domingues
Vogais José Pena do Amaral
 Maria Celeste Hagatong
 Manuel Ferreira da Silva
 Pedro Barreto

Banco BPI, S.A.

Notes to the consolidated financial statements as of March 31, 2014 and 2013

(Unless otherwise indicated, all amounts are expressed in thousands of Euro – t. euro)

1. THE FINANCIAL GROUP

Banco BPI is the central entity of a multi-specialised financial group dedicated to banking, which provides a broad range of banking services and products to companies, institutional investors and private individuals. Banco BPI has been listed on the Stock Exchange since 1986.

The BPI Group started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L.. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On November 30, 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI - SGPS, S.A., which operated exclusively as the BPI Group's holding company, and BPI Investimentos was founded to act as the BPI Group's investment banking company. On December 20, 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A..

At March 31, 2014 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, S.A. which operates as a commercial bank in Angola.

The vehicles through which the Bank's loan securitisation is carried out are recorded in the consolidated financial statements in accordance with the BPI Group's continuing involvement in these operations, based on the percentage held of the equity piece of the corresponding vehicles.

In January 2013, the BPI Alternative Fund: Iberian Equities Long/Short Fund (Luxemburgo) was established. On March 31, 2014 the BPI Group held 61.7% of the fund's participating units through Banco BPI and BPI Vida, the financial statements of the fund being fully consolidated in the financial statements of the BPI Group.

In 2013 the BPI Group increased its participation to 100% of the share capital of BPI Dealer – Sociedade Financeira de Corretagem (Mozambique), through the acquisition of 10.5% of the share capital of that company, previously owned by Banco Comercial e de Investimentos (Mozambique). The corporate name of BPI Dealer – Sociedade Financeira de Corretagem (Mozambique) was changed to BPI Moçambique – Sociedade de Investimento, S.A.

At March 31, 2014 the BPI Group was made up of the following companies:

	Head Office	Shareholders' equity	Total assets	Net income (loss) for the period	Direct participation	Effective participation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 470 861	39 929 022	(138 962)			
Banco Português de Investimento, S.A.	Portugal	64 227	1 518 794	2 418	100.00%	100.00%	Full Consolidation
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	149 240	2 020 306	5 813	29.70%	30.00%	Equity Method
Banco de Fomento Angola, S.A.	Angola	678 955	6 644 600	48 852	50.08%	50.10%	Full Consolidation
Banco BPI Cayman, Ltd.	Cayman Islands	158 633	210 777	513		100.00%	Full Consolidation
Asset management companies							
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A	Portugal	19 146	24 752	1 685	100.00%	100.00%	Full Consolidation
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 548	4 922	281	100.00%	100.00%	Full Consolidation
BPI (Suisse), S.A.	Switzerland	9 969	10 985	850		100.00%	Full Consolidation
BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux)	Luxembourg	131 002	147 321	4 532	56.01%	61.74%	Full Consolidation
Venture capital companies							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	26 066	28 013	(6)	100.00%	100.00%	Full Consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 097	2 364	137		49.00%	Equity Method
Insurance companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	127 759	3 691 092	5 609	100.00%	100.00%	Full Consolidation
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	50 951	114 328	2 359	50.00%	50.00%	Equity Method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	303 917	1 263 883	5 554	35.00%	35.00%	Equity Method
Other							
BPI Capital Finance Ltd. ¹	Cayman Islands	53 650	53 658	374	100.00%	100.00%	Full Consolidation
BPI Capital Africa (Proprietary) Limited	South Africa	(2 654)	2 044	(351)		100.00%	Full Consolidation
BPI, Inc.	U.S.A.	1 131	4 547	(7)	100.00%	100.00%	Full Consolidation
BPI Locação de Equipamentos, Lda	Portugal	1 110	1 356	(456)	100.00%	100.00%	Full Consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	152 926	157 851	(4)	100.00%	100.00%	Full Consolidation
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	(469)	499	(196)	96.54%	100.00%	Full Consolidation
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	62 169	64 200	(366)	32.78%	32.78%	Equity Method
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	(87 132)	304 807	(2 835)	20.65%	21.01%	Equity Method

Note: Unless otherwise indicated, all amounts are as of March 31, 2014 (accounting balances before consolidation adjustments).

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) BASIS OF PRESENTATION

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

B) MAIN ACCOUNTING POLICIES

The accounting policies adopted by the BPI Group are consistent with those used in the preparation of the consolidated financial statements for the period ended December 31, 2013.

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 up to 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 March 31, 2014 and investments made in tangible and intangible assets during the period, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola	Others	Total		
ASSETS										
Cash and deposits at Central Banks	273 055	139			273 194	1 004 927	1	1 004 928		1 278 122
Loans and advances to other credit institutions repayable on demand	385 552	88 606	4 021	(148 177)	330 002	51 709	9	51 718	(13 063)	368 657
Financial assets held for trading and at fair value through profit or loss	1 238 589	182 208		(64 366)	1 356 431	204 125	55	204 180		1 560 611
Financial assets available for sale	5 959 447	17 829	52 683	1 307	6 031 266	2 503 675		2 503 675		8 534 941
Loans and advances to credit institutions	2 493 816	1 329 285	2 895	(1 923 489)	1 902 507	1 592 819	1 827	1 594 646	(920 329)	2 576 824
Loans and advances to customers	24 467 782	209 712		(8 024)	24 669 470	1 087 032		1 087 032		25 756 502
Held to maturity investments	155 894	11 555		(40 671)	126 778					126 778
Hedging derivatives	175 101	226		(2 599)	172 728					172 728
Other tangible assets	64 109	1 583			65 692	127 026	434	127 460		193 152
Intangible assets	16 060	96			16 156	2 471	4	2 475		18 631
Investment in associated companies and jointly controlled entities	106 372		83 103		189 475		44 653	44 653		234 128
Tax assets	453 104	6 389	(1 818)		457 675	3 137	79	3 216		460 891
Other assets	746 371	21 954	112	(89 607)	678 830	12 429	241	12 670	(5 556)	685 944
TOTAL ASSETS	36 535 252	1 869 582	140 996	(2 275 626)	36 270 204	6 589 350	47 303	6 636 653	(938 948)	41 967 909
LIABILITIES										
Resources of central banks	4 078 083				4 078 083					4 078 083
Financial liabilities held for trading	317 637	19 205		(21 110)	315 732	1 465		1 465		317 197
Resources of other credit institutions	3 289 123	(5 362)	31 439	(1 440 805)	1 874 395	11 172	58	11 230	(933 392)	952 233
Resources of customers and other debts	19 059 933	1 400 003		(656 072)	19 803 864	5 835 165		5 835 165		25 639 029
Debt securities	2 584 290			(72 350)	2 511 940					2 511 940
Financial liabilities relating to transferred assets	1 329 143				1 329 143					1 329 143
Hedging derivatives	359 958			(1 557)	358 401					358 401
Provisions	97 633	203			97 836	23 642		23 642		121 478
Technical provisions	2 697 621	199 944			2 897 565					2 897 565
Tax liabilities	40 405	2 748	(3 058)		40 095	11 216	3 422	14 638		54 733
Contingent convertible subordinated bonds	429 094				429 094					429 094
Other subordinated debt and participating bonds	197 556	4 146		(65 858)	135 844					135 844
Other liabilities	536 539	32 370	1 947	(17 874)	552 982	33 414	5 715	39 129	(5 556)	586 555
TOTAL LIABILITIES	35 017 015	1 653 257	30 328	(2 275 626)	34 424 974	5 916 074	9 195	5 925 269	(938 948)	39 411 295
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 467 007	166 202	110 668		1 743 877	334 478	38 108	372 586		2 116 463
Minority interest	51 230	50 123			101 353	338 798		338 798		440 151
TOTAL SHAREHOLDERS' EQUITY	1 518 237	216 325	110 668		1 845 230	673 276	38 108	711 384		2 556 614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	36 535 252	1 869 582	140 996	(2 275 626)	36 270 204	6 589 350	47 303	6 636 653	(938 948)	41 967 909
Investments made in:										
Property						366		366		366
Equipment and other tangible assets	618	24			642	2 127		2 127		2 769
Intangible assets	37				37	601	4	605		642

The BPI Group's income statement for the period ended March 31, 2014, by segment, is as follows:

	Domestic operations				Total	International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations		Angola	Others	Total		
Financial margin (narrow sense)	57 148	324	(378)		57 094	48 597	(60)	48 537		105 631
Gross margin on unit links	245	682			927					927
Income from equity instruments	75	2			77					77
Net commission relating to amortised cost	5 371				5 371	34		34		5 405
Financial margin	62 839	1 008	(378)		63 469	48 631	(60)	48 571		112 040
Technical result of insurance contracts	6 765	124			6 889					6 889
Commissions received	57 936	15 758		(10 840)	62 854	10 061	93	10 154	(313)	72 695
Commissions paid	(13 169)	(5 756)		10 840	(8 085)	(1 748)	(1)	(1 749)	313	(9 521)
Other income, net	3 590	24			3 614	4 898		4 898		8 512
Net commission income	48 357	10 026			58 383	13 211	92	13 303		71 686
Gain and loss on operations at fair value	5 169	7 005			12 174	28 390		28 390		40 564
Gain and loss on assets available for sale	(132 890)	218			(132 672)					(132 672)
Interest and financial gain and loss with pensions	420	(3)			417					417
Net income on financial operations	(127 301)	7 220			(120 081)	28 390		28 390		(91 691)
Operating income	3 735	2			3 737	131	37	168		3 905
Operating expenses	(5 926)	(106)			(6 032)	(258)		(258)		(6 290)
Other taxes	(979)	(128)			(1 107)	(613)	(21)	(634)		(1 741)
Net operating income	(3 170)	(232)			(3 402)	(740)	16	(724)		(4 126)
Operating income from banking activity	(12 510)	18 146	(378)		5 258	89 492	48	89 540		94 798
Personnel costs	(69 432)	(5 283)	(43)		(74 758)	(14 589)	(417)	(15 006)		(89 764)
General administrative costs	(42 727)	(3 002)	(9)		(45 738)	(13 546)	(146)	(13 692)		(59 430)
Depreciation and amortisation	(3 913)	(310)			(4 223)	(3 368)	(26)	(3 394)		(7 617)
Overhead costs	(116 072)	(8 595)	(52)		(124 719)	(31 503)	(589)	(32 092)		(156 811)
Resultado operacional										
Recovery of loans, interest and expenses	3 886				3 886	374		374		4 260
Impairment losses and provisions for loans and guarantees, net	(42 269)	134			(42 135)	(3 180)		(3 180)		(45 315)
Impairment losses and other provisions, net	(2 576)	(63)			(2 639)	(732)		(732)		(3 371)
Net income before income tax	(169 541)	9 622	(430)		(160 349)	54 451	(541)	53 910		(106 439)
Income tax	31 525	(2 360)	201		29 366	(6 489)	(131)	(6 620)		22 746
Earnings of associated companies (equity method)	1 945		1 676		3 621		1 637	1 637		5 258
Global consolidated net income	(136 071)	7 262	1 447		(127 362)	47 962	965	48 927		(78 435)
Income attributable to minority interest	(359)	(1 482)			(1 841)	(24 548)		(24 548)		(26 389)
Consolidated net income of the BPI Group	(136 430)	5 780	1 447		(129 203)	23 414	965	24 379		(104 824)
Cash flow after taxes	(87 672)	6 019	1 447		(80 206)	30 694	991	31 685		(48 521)

The BPI Group's balance sheet as of December 31, 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 period ended March 31, 2013, by segment, is as follows:

	Domestic operations				Total	International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations		Angola	Others	Total		
Financial margin (narrow sense)	65 332	1 353	(348)		66 337	42 653	(68)	42 585		108 922
Gross margin on unit links	187	463			650					650
Income from equity instruments	64				64					64
Net commission relating to amortised cost	6 375				6 375	156		156		6 531
Financial margin	71 958	1 816	(348)		73 426	42 809	(68)	42 741		116 167
Technical result of insurance contracts	5 604	64			5 668					5 668
Commissions received	59 646	10 067		(6 791)	62 922	8 120	56	8 176	(313)	70 785
Commissions paid	(12 303)	(2 698)		6 791	(8 210)	(1 655)		(1 655)	313	(9 552)
Other income, net	4 133	25			4 158	6 433		6 433		10 591
Net commission income	51 476	7 394			58 870	12 898	56	12 954		71 824
Gain and loss on operations at fair value	2 580	2 494			5 074	18 345		18 345		23 419
Gain and loss on assets available for sale	131 145				131 145					131 145
Interest and financial gain and loss with pensions	1 025	17			1 042					1 042
Net income on financial operations	134 750	2 511			137 261	18 345		18 345		155 606
Operating income	1 615	126			1 741	623	3	626		2 367
Operating expenses	(5 068)	(215)			(5 283)	(222)		(222)		(5 505)
Other taxes	(1 037)	(103)			(1 140)	(426)	(4)	(430)		(1 570)
Net operating income	(4 490)	(192)			(4 682)	(25)	(1)	(26)		(4 708)
Operating income from banking activity	259 298	11 593	(348)		270 543	74 027	(13)	74 014		344 557
Personnel costs	(67 480)	(5 348)	(43)		(72 871)	(15 896)	(393)	(16 289)		(89 160)
General administrative costs	(42 191)	(2 920)	(7)		(45 118)	(13 270)	(145)	(13 415)		(58 533)
Depreciation and amortisation	(4 469)	(328)			(4 797)	(3 236)	(32)	(3 268)		(8 065)
Overhead costs	(114 140)	(8 596)	(50)		(122 786)	(32 402)	(570)	(32 972)		(155 758)
Recovery of loans, interest and expenses	4 615				4 615	654		654		5 269
Impairment losses and provisions for loans and guarantees, net	(67 328)	(393)			(67 721)	(2 044)		(2 044)		(69 765)
Impairment losses and other provisions, net	(45 787)	5			(45 782)	(761)		(761)		(46 543)
Net income before income tax	36 658	2 609	(398)		38 869	39 474	(583)	38 891		77 760
Income tax	(18 836)	(1 176)	126		(19 886)	(4 284)	(263)	(4 547)		(24 433)
Earnings of associated companies (equity method)	2 281		313		2 594		3 078	3 078		5 672
Global consolidated net income	20 103	1 433	41		21 577	35 190	2 232	37 422		58 999
Income attributable to minority interest	(234)	(120)			(354)	(18 151)	17	(18 134)		(18 488)
Consolidated net income of the BPI Group	19 869	1 313	41		21 223	17 039	2 249	19 288		40 511
Cash flow after taxes	137 453	2 029	41		139 523	23 080	2 281	25 361		164 884

4. NOTES

4.1. Cash and deposits at Central Banks

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Cash	314 979	369 451
Demand deposits at the Bank of Portugal	104 162	109 939
Demand deposits at foreign Central Banks	858 945	892 793
Accrued interest	36	28
	1 278 122	1 372 211

4.2. Deposits at other Credit Institutions

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Domestic Credit Institutions		
Demand deposits	2 957	3 476
Cheque for collection	62 460	65 779
Other	597	1 042
Foreign Credit Institutions		
Demand deposits	295 757	392 447
Cheque for collection	6 877	4 112
Accrued interest	9	3
	368 657	466 859

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 Mar. 14	31 Dec. 13
Financial assets held for trading		
Debt Instruments		
Bonds issued by Portuguese government entities	21 608	4 104
Bonds issued by foreign government entities	202 382	138 851
Bonds issued by other Portuguese entities		
Non-subordinated debt	18 128	13 160
Bonds issued by other foreign entities		
Non-subordinated debt	7 863	5 309
Subordinated debt	107	
	250 088	161 424
Equity instruments		
Shares issued by Portuguese entities	194 219	148 901
Shares issued by foreign entities	79 782	59 114
	274 001	208 015
Other securities		
Participating units issued by Portuguese entities	156	156
Participating units issued by foreign entities	95	92
	251	248
	524 340	369 687
Financial assets at fair value through profit or loss		
Debt Instruments		
Bonds issued by Portuguese government entities	107 923	99 301
Bonds issued by foreign government entities	183 850	239 513
Bonds issued by other Portuguese entities		
Non-subordinated debt	199 931	71 240
Bonds issued by other foreign entities		
Non-subordinated debt	47 486	43 351
Subordinated debt	1 875	1 589
	541 065	454 994
Equity instruments		
Shares issued by Portuguese entities	671	1 349
Shares issued by foreign entities	17 517	24 667
	18 188	26 016
Other securities		
Participating units issued by Portuguese entities	9 099	11 347
Participating units issued by foreign entities	222 841	210 239
	231 940	221 586
	791 193	702 596
Derivative instruments with positive fair value (Note 4.4)	245 078	223 497
	1 560 611	1 295 780

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

	31 Mar. 14	31 Dec. 13
Debt Instruments		
Of public entities	291 773	338 814
Other entities	249 291	116 179
Equity Instruments	1 581	9 628
Other securities	231 940	221 586
Derivative instruments with positive fair value	5	
	774 590	686 207

4.4. Derivatives

The caption "Derivative instruments held for trading" (Notes 4.3 and 4.14) is made up as follows:

	31 Mar. 14			31 Dec. 13		
	Notional value ¹	Book value		Notional value ¹	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	500	6				
Options	2 489	6	8			
Exchange forwards and swaps	1 454 481	1 470	1 489	1 623 706	1 250	1 244
Interest rate contracts						
Futures	8 621		14	66 597	11	10
Options	455 510	2 763	2 950	473 833	3 051	3 284
Swaps	6 241 377	214 048	221 361	6 356 628	191 182	195 972
Contracts over shares						
Futures	9 063		369	12 509	162	222
Swaps	310 563	540	65 077	264 030	55	27 008
Options	31 217	281	52	31 225	614	19
Contracts over other underlying items						
Futures	58 809			51 737		
Other						
Options ²	641 041	25 776	25 830	643 635	26 932	27 360
Other ³	1 915 433		47	1 951 222		126
Overdue derivatives		188			240	
	11 129 104	245 078	317 197	11 475 122	223 497	255 245

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 Mar. 14			31 Dec. 13		
	Notional value ¹	Book value		Notional value ¹	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	142 896	8	20	172 541	51	29
Swaps	13 554 699	142 342	323 078	15 187 052	169 642	518 152
Contracts over shares						
Swaps	277 768	156	5 171	204 758	146	6 124
Contracts over credit events						
Swaps	9 240	63		9 240	33	
Contracts over other underlying items						
Swaps	12 758	334	307	12 758	334	316
Other						
Options ²	719 409	29 825	29 825	570 583	23 837	23 837
	14 716 770	172 728	358 401	16 156 932	194 043	548 458

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 (trading), meet the needs of its customers or hedge positions of a structural nature (hedging).

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.

4.5. Financial assets available for sale

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Debt instruments		
Bonds issued by Portuguese government entities	4 463 071	5 163 311
Bonds issued by foreign government entities	3 047 761	3 341 475
Bonds issued by other Portuguese entities		
Non-subordinated debt	489	477
Bonds issued by other foreign entities		
Non-subordinated debt	146 642	149 002
Subordinated debt	483 700	644 639
	8 141 663	9 298 904
Equity instruments		
Shares issued by Portuguese entities	77 118	72 494
Impairment	(27 997)	(27 997)
Quotas	44 971	44 971
Shares issued by foreign entities	32 542	32 570
Impairment	(18 108)	(18 108)
	108 526	103 930
Other securities		
Participating units issued by Portuguese entities	302 931	306 085
Impairment	(22 145)	(18 188)
Participating units issued by foreign entities	2 574	2 122
	283 360	290 019
Loans and other receivables		
	22 189	22 119
Impairment	(20 797)	(20 743)
	1 392	1 376
Overdue securities	1 635	1 635
Impairment	(1 635)	(1 635)
	8 534 941	9 694 229

The caption "Loans and other receivables" corresponds to shareholders' loans to, and supplementary capital contributions in, companies classified as financial assets available for sale.

In the review made by the Bank, no impaired securities were identified, other than the amounts already recognised.

The changes in impairment losses and provisions in the first quarter of 2014 and 2013 are presented in Note 4.20.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Loans and advances to Bank of Portugal	500 000	
Loans and advances to other Portuguese credit institutions		
Deposits	221 802	346 060
Other loans	61 100	59 100
Securities purchased with resale agreements	76 571	4 670
Other advances	17 853	9 491
Accrued interest	622	843
	377 948	420 164
Loans and advances to other foreign Central Banks	469 150	327 540
Loans and advances to other foreign credit institutions		
Very short term loans and advances	452 014	309 416
Deposits	277 000	105 131
Loans	44	44
Securities purchased with resale agreements		28 881
Other loans and advances	499 019	693 730
Accrued interest	1 672	1 187
	1 698 899	1 465 929
Commission relating to amortised cost (net)	(21)	(21)
	2 576 826	1 886 072
Impairment	(2)	(2)
	2 576 824	1 886 070

The changes in impairment losses and provisions in the first quarter of 2014 and 2013 are presented in Note 4.20.

4.7. Loans and advances to customers

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Loans		
Domestic loans		
Companies		
Discount	84 859	91 484
Loans	5 041 961	5 123 437
Commercial lines of credit	866 063	852 796
Demand deposits - overdrafts	169 637	134 342
Invoices received - factoring	351 064	375 189
Finance leasing	203 921	215 594
Real estate leasing	362 765	373 626
Other loans	18 229	18 328
Loans to individuals		
Housing	11 308 793	11 390 108
Consumer	686 659	717 098
Other loans	484 576	498 513
Foreign loans		
Companies		
Discount	421	622
Loans	2 240 751	2 245 142
Commercial lines of credit	269 413	144 305
Demand deposits - overdrafts	22 151	22 259
Invoices received - factoring	605	826
Finance leasing	146	171
Real estate leasing	858	884
Other loans	321 280	301 621
Loans to individuals		
Housing	98 552	210 177
Consumer	224 904	223 910
Other loans	81 210	87 326
Accrued interest	72 329	63 544
	22 911 147	23 091 302
Securities		
Issued by Portuguese government entities	99 968	99 963
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 270 120	1 267 965
Commercial paper	944 395	986 755
Issued by foreign government entities		
Issued by other foreign entities		
Non subordinated debt securities	415 012	374 443
Bonds	7 000	
Subordinated debt securities	24 720	24 720
Accrued interest	24 158	19 213
Deferred interest	(662)	(911)
	2 784 711	2 772 148
Correction of the amount of hedged assets	36 623	33 922
Commission relating to amortised cost (net)	2 255	2 467
	25 734 736	25 899 839
Overdue loans and interest	998 085	997 229
Loan impairment	(976 319)	(931 935)
	25 756 502	25 965 133

The caption "Loans to customers" includes the following non-derecognised securitised assets:

	31 Mar. 14	31 Dec. 13
Non-derecognised securitised assets ¹		
Loans		
Housing	4 555 001	4 618 430
Loans to SME's	3 195 938	3 101 221
Accrued interest	18 717	18 500
	7 769 656	7 738 151

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" (Note 4.19).

At March 31, 2014 and December 31, 2013 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:

- 5 748 431 t. euro and 5 729 852 t. euro, respectively, allocated as collateral to mortgage bonds,
- 676 772 t. euro and 673 149 t. euro, respectively, allocated as collateral to public sector bonds.

The securities portfolio includes the following assets to cover capitalization insurance contracts issued by BPI Vida:

	31 Mar. 14	31 Dec. 13
Debt instruments		
Issued by Portuguese government entities	99 968	99 963
Issued by other Portuguese entities	1 387 666	1 238 859
Issued by other foreign entities	419 634	377 812
	1 907 268	1 716 634

The changes in impairment losses and provisions in the first quarter of 2014 and 2013 are presented in Note 4.20.

4.8 Held to maturity investments

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	14 608	24 457
Bonds issued by foreign government entities	59 972	59 965
Bonds issued by other foreign entities		
Non-subordinated debt	50 005	49 980
Subordinated debt	1 900	1 900
Accrued interest	293	575
	126 778	136 877

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

4.9. Other tangible assets

The changes in other tangible assets in the first quarter of 2014 were as follows:

	Gross						Amortizações						Net	Net
	Balance at Dec. 31, 13	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Mar. 31, 14	Balance at Dec. 31, 13	Depreciation for the period	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Mar. 31, 14	Balance at Mar. 31, 14	Balance at Dec. 31, 13
Property														
Property for own use	138 126	337		343	33	138 839	28 082	652		(152)	1	28 583	110 256	110 044
Other property	104		(92)			12	36		(34)			2	10	68
Leasehold improvements	110 139	29	(1 298)	1 015	4	109 889	96 484	653	(1 298)		8	95 847	14 042	13 655
	248 369	366	(1 390)	1 358	37	248 740	124 602	1 305	(1 332)	(152)	9	124 432	124 308	123 767
Equipment														
Furniture and fixtures	52 820	130	(3 127)	3	6	49 832	45 141	443	(3 122)		2	42 464	7 368	7 679
Machinery and tools	14 056	114	(1 028)		1	13 143	12 447	151	(1 026)			11 572	1 571	1 609
Computer hardware	185 432	282	(2 498)	301	13	183 530	175 381	1 563	(2 489)		7	174 462	9 068	10 051
Interior installations	155 561	179	(13 293)	176	5	142 628	121 952	2 206	(12 774)		2	111 386	31 242	33 609
Vehicles	11 722	261	(533)		(2)	11 448	8 327	495	(532)		1	8 291	3 157	3 395
Security equipment	26 907	90	(256)	5	2	26 748	23 363	246	(251)			23 358	3 390	3 544
Other equipment	583	1				584	139	2				141	443	444
	447 081	1 057	(20 735)	485	25	427 913	386 750	5 106	(20 194)		12	371 674	56 239	60 331
Tangible assets in progress	10 674	1 712		(2 306)	10	10 090							10 090	10 674
Other tangible assets	12 570		(62)			12 508	10 005	50	(62)			9 993	2 515	2 565
	23 244	1 712	(62)	(2 306)	10	22 598	10 005	50	(62)			9 993	12 605	13 239
	718 694	3 135	(22 187)	(463)	72	699 251	521 357	6 461	(21 588)	(152)	21	506 099	193 152	197 337

The changes in other tangible assets in the first quarter of 2013 were as follows:

	Gross						Depreciation					Net	Net
	Balance at Dec. 31, 12	Purcha- ses	Sales and write- offs	Transfers and others	Foreign exchange differen- ces	Balance at Mar. 31, 13	Balance at Dec. 31, 12	Depreciation for the period	Sales and write-offs	Foreign exchange differen- ces	Balance at Mar. 31, 13	Balance at Mar. 31, 13	Balance at Dec. 31, 12
Property													
Property for own use	136 800	72	(74)	3 075	2 685	142 558	26 172	667		270	27 109	115 449	110 628
Other property	104					104	35				35	69	69
Leasehold improvements	112 360	215	(4)	185	1 179	113 935	97 543	604	(3)	804	98 948	14 987	14 817
	249 264	287	(78)	3 260	3 864	256 597	123 750	1 271	(3)	1 074	126 092	130 505	125 514
Equipment													
Furniture and fixtures	52 835	122	(143)	21	327	53 162	44 001	482	(142)	152	44 493	8 669	8 834
Machinery and tools	14 203	77	(263)	7	106	14 130	12 405	162	(262)	67	12 372	1 758	1 798
Computer hardware	187 920	681	(1 509)	69	663	187 824	178 735	1 803	(1 499)	534	179 573	8 251	9 185
Interior installations	160 475	261	(1 140)	29	202	159 827	116 553	2 603	(574)	92	118 674	41 153	43 922
Vehicles	10 758	219	(158)	70	259	11 148	7 301	509	(128)	181	7 863	3 285	3 457
Security equipment	27 692	107	(32)	17	163	27 947	22 704	281	(29)	63	23 019	4 928	4 988
Other equipment	620				15	635	133	2		1	136	499	487
	454 503	1 467	(3 245)	213	1 735	454 673	381 832	5 842	(2 634)	1 090	386 130	68 543	72 671
Tangible assets in progress	9 624	1 267		(3 851)	207	7 247						7 247	9 624
Other tangible assets	12 991		(4)			12 987	10 111	63	(3)		10 171	2 816	2 880
	22 615	1 267	(4)	(3 851)	207	20 234	10 111	63	(3)		10 171	10 063	12 504
	726 382	3 021	(3 327)	(378)	5 806	731 504	515 693	7 176	(2 640)	2 164	522 393	209 111	210 689

4.10. Intangible assets

The changes in other tangible assets in the first quarter of 2014 were as follows:

	Gross						Depreciation					Net	Net
	Balance at Dec. 31, 13	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Mar. 31, 14	Balance at Dec. 31, 13	Depreciation for the period	Sales and write-offs	Foreign exchange differences	Balance at Mar. 31, 14	Balance at Mar. 31, 14	Balance at Dec. 31, 13
Software	71 044	608	(13)	90	(1)	71 728	62 581	1 153	(13)	(1)	63 720	8 008	8 463
Other intangible assets	28 735		(788)		1	27 948	26 063	3	(788)	1	25 279	2 669	2 672
	99 779	608	(801)	90		99 676	88 644	1 156	(801)		88 999	10 677	11 135
Intangible assets in progress	8 014	34		(94)		7 954						7 954	8 014
	107 793	642	(801)	(4)		107 630	88 644	1 156	(801)		88 999	18 631	19 149

The changes in other tangible assets in the first quarter of 2013 were as follows:

	Gross						Depreciation					Net	Net
	Balance at Dec. 31, 12	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Mar. 31, 13	Balance at Dec. 31, 12	Depreciation for the period	Sales and write-offs	Foreign exchange differences	Balance at Mar. 31, 13	Balance at Mar. 31, 13	Balance at Dec. 31, 12
Software	65 116	600		790	154	66 660	59 089	886		79	60 054	6 606	6 027
Other intangible assets	30 144		(303)		43	29 884	27 460	3	(303)	43	27 203	2 681	2 684
	95 260	600	(303)	790	197	96 544	86 549	889	(303)	122	87 257	9 287	8 711
Intangible assets in progress	5 306	410		(681)		5 035						5 035	5 306
	100 566	1 010	(303)	109	197	101 579	86 549	889	(303)	122	87 257	14 322	14 017

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 Mar. 14	31 Dec. 13	31 Mar. 14	31 Dec. 13
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	44 653	44 967
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	106 371	95 875
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	29 379	27 935
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	32.8	32.8	20 381	20 507
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0	49.0	709	669
Unicre - Instituição Financeira de Crédito, S.A.	21.0	21.0	32 635	32 039
			234 128	221 992

4.12. Tax assets

This caption is made up as follows:

	31 Mar 14	31 Dec 13
Current tax assets		
Corporate income tax recoverable	20 306	20 234
Others	2 031	2 003
	22 337	22 237
Deferred tax assets		
Due to temporary differences	330 976	430 568
Due to tax losses carried forward	107 578	86 887
	438 554	517 455
	460 891	539 692

Details of deferred tax assets are presented in Note 4.41.

4.13. Other assets

This caption is made up as follows:

	31 Mar. 14	31 Dez. 13
Debtors, other applications and other assets		
Debtors for future operations	4 471	11 609
Collateral accounts	6 800	5 289
Other applications	8 760	12 592
VAT recoverable	170	173
Debtors for loan interest subsidy receivable	6 410	5 429
Other debtors	84 872	86 374
Overdue debtors and other applications	629	571
Impairments for debtors and other applications	(370)	(308)
Other assets		
Gold	34	51
Other available funds and other assets	384	807
	112 160	122 587
Tangible assets available for sale	180 361	174 361
Impairment	(35 958)	(35 781)
	144 403	138 580
Accrued income		
For irrevocable commitments assumed in relation to third parties	261	263
For banking services rendered to third parties	2 385	2 428
Other accrued income	32 331	31 551
	34 977	34 242
Deferred expenses		
Insurance	228	14
Rent	3 410	3 456
Other deferred expenses	12 398	8 459
	16 036	11 929
Liability for pensions and other benefits		
Pension Fund Asset Value		
Pensioners and employees	1 202 102	1 129 067
Directors	38 690	35 262
Past Service Liabilities		
Pensioners and employees	(1 088 586)	(1 082 369)
Directors	(39 673)	(39 137)
Others	(1 211)	(1 143)
	111 322	41 680
Other accounts		
Stock exchange transactions pending settlement	2 452	6 837
Operations on assets pending settlement	264 594	354 523
	267 046	361 360
	685 944	710 378

The caption "Other debtors" at March 31, 2014 and December 31, 2013 includes 72 527 t. euro and 72 511 t. euro, respectively, relating to instalments receivable from the sale in 2008 of 49.9% of the share capital of Banco de Fomento (Angola). The selling price was 365 671 t. euro, part of the proceeds from the sale being paid in eight annual instalments, from 2009 to 2016, plus compensation due to monetary correction.

The changes in tangible assets available for sale in the first quarter of 2014 were as follows:

	Balance at 31 Dec. 13			Aquisi- tions and transfers	Sales and write- offs		Increase / Reversals of impairment	Foreign exchan- ge diffe- rences	Balance at 31 Mar. 14		
	Gross	Impair- ment	Net		Gross	Impair- ment			Gross	Impair- ment	Net
Assets received in settlement of defaulting loans											
Real estate	168 251	(33 214)	135 037	13 637	(7 481)	607	(947)	1	174 408	(33 554)	140 854
Equipment	2 129	(1 308)	821	761	(1 106)	204	(41)		1 784	(1 145)	639
Others	61	(61)							61	(61)	
Other tangible as sets											
Real estate	3 920	(1 198)	2 722	188					4 108	(1 198)	2 910
	174 361	(35 781)	138 580	14 586	(8 587)	811	(988)	1	180 361	(35 958)	144 403

The changes in tangible assets available for sale in the first quarter of 2013 were as follows:

The changes in tangible assets available for sale in the first quarter of 2013 were as follows:											
	Balance at 31 Dec. 12			Aquisi- tions and transfers	Sales and write- offs		Increase / Reversals of impairment	Foreign exchan- ge diffe- rences	Balance at 31 Mar. 13		
	Gross	Impair- ment	Net		Gross	Impair- ment			Gross	Impair- ment	Net
Assets received in settlement of defaulting loans											
Real estate	162 320	(63 418)	98 902	10 527	(8 739)	1 265	(3 903)	54	164 162	(66 056)	98 106
Equipment	2 701	(1 025)	1 676	1 025	(1 574)	169	(120)	5	2 157	(976)	1 181
Others	61	(61)							61	(61)	
Other tangible as sets											
Real estate	4 315	(203)	4 112		(395)	197			3 920	(6)	3 914
	169 397	(64 707)	104 690	11 552	(10 708)	1 631	(4 023)	59	170 300	(67 099)	103 201

The caption "Operations on assets pending settlement" at March 31, 2014 and December 31, 2013 includes 32 508 t. euro and 32 576 t. euro, respectively, relating to taxes to be settled, of which 8 568 t. euro and 8 631 t. euro, respectively, relate to taxes in litigation, paid under Decree-Law 248-A / 02 of November 14. The balance at March 31, 2014 and December 31, 2013 also includes, respectively, 19 916 t. euro and 19 921 t. euro relating to taxes in litigation paid under Decree-Law 151-A / 13 of October 31;

In addition, at March 31, 2014 and December 31, 2013 this caption also includes 198 341 t. euro and 282 640 t. euro, respectively, relating to securitisation operations carried out by the BPI Group (Notes 4.7 and 4.19), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognized.

The caption "Stock exchange transactions pending settlement" refer to the sale of securities only settled in the following month.

The changes in impairment losses and provisions in the first quarter of 2014 and 2013 are presented in Note 4.20.

4.14. Resources of Central Banks

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Resources of the Bank of Portugal		
Deposits	4 009 428	4 073 961
Accrued interest	58 000	55 501
Resources of other Central Banks		
Deposits	10 579	10 579
Accrued interest	76	27
	4 078 083	4 140 068

During the first quarter of 2014 and in 2013, Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (Note 4.31).

4.15. Financial liabilities held for trading

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Derivative instruments with negative fair value (Note 4.4)	317 197	255 245
	317 197	255 245

4.16. Resources of other credit institutions

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Resources of Portuguese credit institutions		
Very short term resources	36 263	
Deposits	239 693	152 118
Other resources	7 502	6 061
Accrued interest	498	699
	283 956	158 878
Resources of foreign credit institutions		
Deposits of international financial organisations	163 327	163 332
Very short term resources	3 272	924
Deposits	146 644	159 683
Debt securities sold with repurchase agreements	286 566	865 667
Other resources	59 206	96 201
Accrued interest	337	1 195
	659 352	1 287 002
Correction of the amount of hedged liabilities	8 925	7 444
Commission relating to amortised cost		(75)
	952 233	1 453 249

4.17. Resources of customers and other debts

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Demand deposits	8 134 193	8 050 286
Term deposits	16 439 166	16 375 651
Savings deposits	102 661	117 349
Compulsory deposits	6 927	6 795
Cheques and orders payable	43 663	60 662
Debt securities sold with repurchase agreements	89 731	106 798
Other resources of customers	53 141	50 015
Capitalisation insurance products - Unit links	486 590	430 206
Capitalisation insurance products - Guaranteed Rate and Guaranteed Retirement	79 701	85 782
Accrued interest	171 740	185 447
	25 607 513	25 468 991
Correction of the amount of hedged liabilities	31 516	25 973
Commission relating to amortised cost (net)		(3)
	25 639 029	25 494 961

The caption "Resources of customers" at March 31, 2014 included 288 071 t. euro and 177 796 t. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (205 652 t. euro and 153 918 t. euro, respectively, at December 31, 2013).

4.18. Debt securities

This caption is made up as follows:

	31 Mar. 14				31 Dec. 13			
	Issued	Repurcha- sed	Balance	Average interest rate	Issued	Repurcha- sed	Balance	Average interest rate
Commercial Paper								
EUR	11 346		11 346	1.3%				
	11 346		11 346					
Covered Bonds								
EUR	4 325 000	(2 805 500)	1 519 500	1.7%	4 325 000	(2 805 600)	1 519 400	1.6%
	4 325 000	(2 805 500)	1 519 500		4 325 000	(2 805 600)	1 519 400	
Fixed rate cash bonds								
EUR	754 189	(188 867)	565 322	4.2%	842 580	(201 091)	641 489	4.2%
USD	6 139	(1 984)	4 155	3.4%	11 333	(2 871)	8 462	3.4%
JPY	28 086		28 086	2.5%	27 640		27 640	2.5%
	788 414	(190 851)	597 563		881 553	(203 962)	677 591	
Variable rate cash bonds								
EUR	130 000	(22 992)	107 008	0.8%	142 000	(42 000)	100 000	0.9%
	130 000	(22 992)	107 008		142 000	(42 000)	100 000	
Variable income cash bonds								
EUR	295 866	(87 613)	208 253		295 866	(87 127)	208 739	
USD	31 350	(8 526)	22 824		31 343	(8 513)	22 830	
	327 216	(96 139)	231 077		327 209	(95 640)	231 569	
	5 581 976	(3 115 482)	2 466 494		5 675 762	(3 147 202)	2 528 560	
Accrued interest			14 261				33 430	
Correction of the amount of hedged liabilities			38 434				45 031	
Premiums and commission (net)			(7 249)				(8 566)	
			45 446				69 895	
			2 511 940				2 598 455	

The changes in the bonds issued by the BPI Group during the first quarter of 2013 were as follows:

	Commercial Paper	Covered Bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at December 31, 2013		1 519 400	677 591	100 000	231 569	2 528 560
Bonds issued during the year	11 346		29 341	30 000		70 687
Bonds redeemed			(122 928)	(42 000)		(164 928)
Repurchases (net of resales)		100	13 112	19 008	(497)	31 723
Exchange difference			447		5	452
Balance at March 31, 2014	11 346	1 519 500	597 563	107 008	231 077	2 466 494

The changes in the bonds issued by the BPI Group during 2013 were as follows:

	Deposit certificates	Commercial Paper	Covered Bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at December 31, 2012	9	19 889	1 572 400	1 512 486	115 444	438 675	3 658 903
Bonds issued during the year				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 December 31, 2013			1 519 400	677 591	100 000	231 569	2 528 560

Bonds issued by the BPI Group at March 31, 2013, by maturity date, are as follows:

	2014	2015	2016	2017-2020	> 2020	Total
Commercial Paper						
EUR		11 346				11 346
		11 346				11 346
Covered Bonds						
EUR		794 500	325 000	400 000		1 519 500
		794 500	325 000	400 000		1 519 500
Fixed rate cash bonds						
EUR	260 995	145 017	138 890	420	20 000	565 322
USD	4 155					4 155
JPY					28 086	28 086
	265 150	145 017	138 890	420	48 086	597 563
Variable rate cash bonds						
EUR	100 000		7 008			107 008
	100 000		7 008			107 008
Variable income cash bonds						
EUR	117 927	13 969	75 727	630		208 253
USD		5 983	16 841			22 824
	117 927	19 952	92 568	630		231 077
Total	483 077	970 815	563 466	401 050	48 086	2 466 494

Bonds issued by the BPI Group at December 31, 2013, by maturity date, are as follows:

	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 cash 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 cash bonds					
EUR	100 000				100 000
	100 000				100 000
Variable income cash 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

4.19. Financial liabilities relating to transferred assets

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Liabilities relating to assets not derecognised in securitisation operations (Note 4.7)		
Loans		
Housing loans	4 722 272	4 787 212
Loans to SME's	3 330 900	3 339 300
Liabilities held by the BPI Group	(6 723 079)	(6 738 114)
Accrued costs	1 489	1 457
Commission relating to amortised cost (net)	(2 439)	(2 559)
	1 329 143	1 387 296

4.20. Provisions and impairment losses

The changes in provisions and impairment losses of the Group during the first quarter of 2014 were as follows:

	Balance at Dec. 31, 13	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Mar. 31, 14
Impairment losses on loans and advances to credit institutions (Note 4.6)	2					2
Impairment losses on loans and advances to customers (Note 4.7)	931 935	50 491	(5 049)	(1 084)	26	976 319
Impairment losses on financial assets available for sale (Note 4.5)						
Debt instruments	1 635					1 635
Equity instruments	46 105					46 105
Other securitites	18 188	3 957				22 145
Loans and other receivables	20 743	54				20 797
Impairment losses on other assets (Note 4.13)						
Tangible assets held for sale	35 781	1 271	(283)	(811)		35 958
Debtors, other applications and other assets	308	62				370
Impairment losses and provisions for guarantees and commitments	46 766	1 453	(1 580)		(135)	46 504
Other provisions	77 014	1 337	(3 027)	(240)	(110)	74 974
	1 178 477	58 625	(9 939)	(2 135)	(219)	1 224 809

The changes in provisions and impairment losses of the Group during the first quarter of 2013 were as follows:

	Balance at Dec. 31, 12	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Mar. 31, 13
Impairment losses on loans and advances to credit institutions	952		(538)	(394)	(17)	3
Impairment losses on loans and advances to customers (Note 4.7)	783 157	68 682	(1 868)	(3 002)	2 234	849 203
Impairment losses on financial assets available for sale						
Debt instruments	2 588	45			1 022	3 655
Equity instruments	46 089	7			25	46 121
Other securitites	15 068	489				15 557
Loans and other receivables	19 976	62			(1 022)	19 016
Impairment losses on other assets						
Tangible assets held for sale	64 707	7 857	(3 834)	(1 631)		67 099
Debtors, other applications and other assets	395		(5)			390
Impairment losses and provisions for guarantees and commitments	48 106	3 321	(370)		163	51 220
Other provisions	90 292	45 133	(2 673)	(19 616)	8 808	121 944
	1 071 330	125 596	(9 288)	(24 643)	11 213	1 174 208

4.21. Technical provisions

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Immediate Life Annuity / Individual	5	5
Immediate Life Annuity / Group	25	26
Family Savings	25	26
BPI New Family Savings	1 644 834	1 481 043
BPI Retirement Guaranteed	146 612	143 920
BPI Retirement Savings	911 496	892 927
BPI Non Resident Savings	185 446	162 780
Planor	5 416	5 333
PPR BBI Life	2 603	2 542
Savings Investment Plan / Youths	1 042	1 080
South PPR	61	86
	2 897 565	2 689 768

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 Counterinsurance 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 Mar. 14	31 Dec. 13
Current Tax Liability		
Corporate income tax payable	17 585	19 532
Other	68	68
	17 653	19 600
Deferred Tax Liability		
On temporary differences	37 080	37 977
	37 080	37 977
	54 733	57 577

Details of the deferred tax liability are presented in Note 4.41.

4.23. Contingent convertible subordinated bonds

This caption is made up as follows:

	31 Mar. 14				31 Dec. 13			
	Issued	Repurcha- sed	Balance	Average interest rate	Issued	Repurcha- sed	Balance	Average interest rate
Contingent convertible subordinated bonds								
EUR	920 000	(500 000)	420 000	8.8%	1 200 000	(280 000)	920 000	8.8%
	920 000	(500 000)	420 000		1 200 000	(280 000)	920 000	
Accrued interest			9 094				433	
			429 094				920 433	

In the beginning of June, 2012 Banco BPI's Board of Directors approved the Recapitalisation Plan for reinforcing Core Tier 1 own funds, in order to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal.

The Recapitalisation Plan, in the amount of 1 500 000 t. euro, includes:

- a share capital increase of 200 000 t. euro, with shareholders' preemptive rights;
- the issuance of debt instruments eligible for own funds, subscribed for by the Portuguese State, in the amount of 1 300 000 t. euro.

On June 29, 2012 the Portuguese State subscribed for debt instruments eligible for Core Tier 1 own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 t. euro. The features of these instruments are defined in Law 63 – A/2008 of November 24, as republished by Law 4/2012 of January 11 (Bank Recapitalisation Law), in Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of State and Finance of June 28, 2012. The investment period of the instrument is five years from the date of issue, and the Recapitalisation Plan of the Bank establishes partial repayments over the period of the instrument. On August 10, 2012 the Bank completed the capital increase of 200 000 t. euro, with shareholders' preemptive rights (Note 4.27). The amount received was used in August 13, 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 t. euro. Since then, Banco BPI reimbursed 880 000 t. euro relating to contingent convertible subordinated bonds, reducing the nominal amount to 420 000 t. euro:

- 100 000 t. euro on December 4, 2012,
- 200 000 t. euro on March 13, 2013,
- 80 000 t. euro on July 16, 2013, and
- 500 000 t. euro on March 19, 2014.

The contingent convertible subordinated bonds bear interest payable half yearly, at an effective annual interest rate of 8.5% in the first year, increasing 0.25% per year in the first two years and 0.5% in each of the following years.

These instruments are convertible into Banco BPI shares on the occurrence of any one of the events listed in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of State and Finance of June 28, 2012. Briefly the conversion events are as follows:

- termination of the term of 5 years without the instruments having been fully repurchased (under Section 8.5. of the Terms and Conditions);
- occurrence of an event qualified as a material breach under Section 8.3. of the Terms and Conditions;
- occurrence of the event defined in Section 9.1. of the Terms and Conditions (viability event);
- occurrence of the event defined in Section 10 of the Terms and Conditions (regulatory event – the instrument is no longer qualified as Core Tier I) and the other alternatives provided for under this Section are not possible;
- occurrence of an event qualified as change in control under Section 9.2. of the Terms and Conditions;
- exclusion of Banco BPI shares from listing on a regulated market, under Section 9.2. of the Terms and Conditions.

If the conversion into Banco BPI shares referred to above occurs, it will be made through delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) the definition of the Conversion Price contained in Section 1.1. of the Terms and Conditions states that the price depends on the price / market value of the shares in the period prior to the occurrence of the event and (ii) the determination of the number of shares is made based on the Conversion Price.

The Terms and Conditions included an additional conversion event (if on October 1, 2012 the amount of instruments issued exceeds 1 300 000 t. euro), which will no longer occur because, as mentioned above, in August, 2012, Banco BPI repurchased 200 000 t. euro of these instruments, reducing on that date the amount to 1 300 000 t. euro.

4.24. Other Subordinated debt and participating bonds

This caption is made up as follows:

	31 Mar. 14				31 Dec. 13			
	Issued	Repurcha- sed	Balance	Average interest rate	Issued	Repurcha- sed	Balance	Average interest rate
Other subordinated debt								
Perpetual bonds								
EUR	420 000	(360 000)	60 000	2.5%	420 000	(360 000)	60 000	2.5%
JPY	52 661	(52 661)		2.9%	51 824	(51 824)		2.9%
	472 661	(412 661)	60 000		471 824	(411 824)	60 000	
Other Bonds								
EUR	400 000	(327 997)	72 003	1.8%	400 000	(327 025)	72 975	1.8%
JPY	122 876	(122 876)		2.8%	120 923	(120 923)		2.8%
	522 876	(450 873)	72 003		520 923	(447 948)	72 975	
	995 537	(863 534)	132 003		992 747	(859 772)	132 975	
Participating bonds								
EUR	28 081	(24 409)	3 672	0.8%	28 081	(24 285)	3 796	0.8%
	28 081	(24 409)	3 672		28 081	(24 285)	3 796	
Accrued interest			169				160	
			169				160	
			135 844				136 931	

The changes in debt issued by the BPI Group during the first quarter of 2014 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 2013	60 000	72 975	3 796	136 771
Repurchases (net of resales)		(972)	(124)	(1 096)
Balance at March 31, 2014	60 000	72 003	3 672	135 675

The changes in debt issued by the BPI Group during 2013 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Saldo em 31 de Dezembro de 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 December 31, 2013	60 000	72 975	3 796	136 771

Debt issued by the BPI Group at March 31, 2014 is made up as follows, by residual term to maturity:

	2014	2015	2016	2017-2020	> 2020	Total
Perpetual bonds						
EUR ¹	60 000					60 000
Other bonds						
EUR				72 003		72 003
Total	60 000			72 003		132 003

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.

Debt issued by the BPI Group at December 31, 2013 is made up as follows, by residual term to maturity:

	2013	2014	2015	2016-2019	> 2019	Total
Perpetual bonds						
EUR ¹	60 000					60 000
Other bonds						
EUR				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.

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 Mar. 14	31 Dec. 13
Creditors and other resources		
Creditors for futures operations	3 984	9 927
Consigned resources	16 478	18 672
Captive account resources	7 160	7 088
Subscription account resources		199
Guarantee account resources	10 738	10 665
State administrative sector		
Value Added Tax (VAT) payable	3 389	3 869
Tax withheld at source	21 678	21 170
Social Security contributions	4 435	4 696
Other	334	547
Contributions to other health systems	1 395	1 410
Creditors for factoring contracts	18 606	19 859
Creditors for the supply of assets	7 934	7 553
Contributions owed to the Pension Fund		
Pensioners and employees		2 853
Directors		2 805
Other creditors	127 382	138 051
Deferred costs	(383)	(89)
	223 130	249 275
Accrued costs		
Creditors and other resources	300	226
Personnel costs	116 345	103 928
General administrative costs	39 441	37 871
Contributions to the Investors Indemnity System	782	
Periodic contribution to the Resolution Fund	669	
Others	6 516	2 296
	164 053	144 321
Deferred income		
On guarantees given and other contingent liabilities	4 494	4 637
Others	4 903	4 511
	9 397	9 148
Other accounts		
Foreign exchange transactions pending settlement	2 959	6 539
Non stock exchange transactions pending settlement	1 084	3 247
Liabilities pending settlement	70 946	100 697
Other operations pending settlement	114 986	73 972
	189 975	184 455
	586 555	587 199

As of March 31, 2014 and December 31, 2013 the amounts recorded under the caption "Non stock exchange transactions pending settlement" correspond to securities purchased which were only settled in the following month.

4.26. Capital

The Shareholders' General Meeting held on May 31, 2012 authorised Banco BPI's Board of Directors to do the following (valid for 18 months):

- 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, with reference to the settlement agreement date;
- b) to sell Banco BPI shares provided that:
 - i) the shares and options to purchase shares of Banco BPI are sold to employees and Directors of Banco BPI and subsidiaries, as share-based payments under the terms and conditions established in the Variable Remuneration Program (RVA) regulations; or
 - ii) the shares are sold to third parties under the following conditions:
 - 1. the shares are sold in a market registered at the Securities Market Commission (CMVM); and
 - 2. the shares are sold at a price not less than 80% of the weighted average of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext preceding the date of sale;
- c) Carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).

On June 27, 2012, the Shareholders' General Meeting approved the conversion of Banco BPI shares into shares with no par value.

On July 10, 2012, under the authority introduced into Banco BPI's Statutes at the Shareholders' General Meeting of June 27, 2012, the Board of Directors decided to increase share capital from 990 000 t. euro to 1 190 000 t. euro, in cash and with shareholders' pre-emptive rights, which decision was taken considering the Recapitalisation Plan approved in that Shareholders' General Meeting, aimed at reinforcing Core Tier 1 own funds, in order to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal (Notes 4.23 and 4.50). The share capital increase was made through the issuance of 400 million ordinary shares with no par value, at an issue price of 0.5 euro. The share capital increase was concluded on August 10, 2012, all the shares offered for subscription being fully subscribed for and so Banco BPI's share capital is now 1 190 000 t. euro represented by 1 390 000 000 nominative dematerialized ordinary shares, with no par value.

Also at the Shareholders' General Meeting held on June 27, 2012:

- iii) Under the framework of approval of the issuance of financial instruments eligible for Core Tier 1 own funds (Contingent Convertible Subordinated bonds), with a total par value of 1 500 000 t. euro, approval was given for the share capital increases deemed necessary on the occurrence of any conversion event established in the related Terms and Conditions (in accordance with Order 8840-A/2012, of the Portuguese Minister of State and Finance of June 28);
- iv) 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;
- v) 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);
- vi) Authorisation was given to the Board of Directors to use Banco BPI's treasury shares to pay remuneration of the instruments referred to above.

4.27. Other equity instruments and treasury shares

These captions are made up as follows:

	31 Mar. 14	31 Dec. 13
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2010	132	124
RVA 2011	1	1
RVA 2012	17	15
RVA 2013	28	23
RVA 2014	5	
Costs of options not exercised (premiums)		
RVA 2008		828
RVA 2009	798	806
RVA 2010	606	590
RVA 2011	52	55
RVA 2012	506	587
RVA 2013	482	385
RVA 2014	87	
	2 714	3 414
Treasury shares		
Shares to be made available to Group employees		
RVA 2010	2	2
RVA 2011	2	2
RVA 2012	26	26
Shares hedging RVA options		
RVA 2008		3 045
RVA 2009	3 086	3 147
RVA 2010	646	95
RVA 2011	2 309	2 391
RVA 2012	4 282	8 382
	10 353	17 090

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.

4.28. Revaluation reserves

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (Note 4.5):		
Debt Instruments		
Securities	120 142	(45 822)
Hedging derivatives	(234 840)	(405 990)
Equity Instruments	21 196	16 691
Other	(5 108)	(1 731)
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(59 854)	(57 824)
Equity instruments available for sale	(5)	(6)
Legal revaluation reserve	703	703
	(157 766)	(493 979)
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	38 710	136 795
Tax liabilities	(6 545)	(5 096)
	32 165	131 699
	(125 601)	(362 280)

Deferred taxes have been calculated in accordance with current legislation and correspond to the best estimate of the impact of recognising the unrealized gains and losses included in the caption "Revaluation Reserves".

4.29. Other reserves and retained earnings

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Legal reserve	86 124	86 124
Merger reserve	(2 463)	(2 463)
Consolidation reserves and retained earnings	642 406	558 984
Other reserves	597 690	606 346
Actuarial deviations		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(31 811)	(95 959)
Taxes related to actuarial deviations	68 360	82 998
Loss on treasury shares	(3 597)	(2 102)
Taxes relating to gain on treasury shares	1 356	615
	1 164 527	1 041 005

In accordance with Article 97 of the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law 298/91 of December 31 and amended by Decree-Law 201/2002 of September 25, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

4.30.Minority interests

This caption is made up as follows:

	Balance sheet		Statement of income	
	31 Mar. 14	31 Dec. 13	31 Mar. 14	31 Mar. 13
Minority shareholders in:				
Banco de Fomento Angola, S.A.	338 798	314 286	24 548	18 151
BPI Capital Finance Ltd	51 230	51 233	359	234
BPI Alternative Fund				119
BPI Alternative Fund Luxemburgo	50 123	18 923	1 482	
BPI Dealer - Sociedade financeira de Corretagem (Moçambique), S.A.R.L.				(17)
BPI (Suisse), S.A.				1
	440 151	384 442	26 389	18 488

Minority interests in BPI Capital Finance at March 31, 2014 and December 31, 2013 include 51 021 t. euro relating to preference shares:

	31 Mar. 14			31 Dec. 13		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
Ações Série C	250 000	(198 979)	51 021	250 000	(198 979)	51 021
	250 000	(198 979)	51 021	250 000	(198 979)	51 021

4.31. Off balance sheet items

This caption is made up as follows:

	31 Mar. 14	31 Dec. 13
Guarantees given and other contingent liabilities		
Guarantees and sureties	1 693 964	1 832 700
Stand-by letters of credit	70 917	71 565
Documentary credits	216 398	189 201
Sureties and indemnities	105	105
Other guarantees given and other contingent liabilities	13 200	13 200
	1 994 584	2 106 771
Assets given as collateral	9 117 252	9 841 209
Commitments to third parties		
Irrevocable commitments		
Options on assets	6 843	10 359
Irrevocable credit lines	1 748	1 960
Securities subscription	327 363	326 625
Term commitment to make annual contributions to the Deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	9 625	10 262
Other irrevocable commitments	293	293
Revocable commitments	2 543 842	2 632 129
	2 928 428	3 020 342
Responsibility for services provided		
Deposit and safeguard of assets	29 173 602	25 409 651
Amounts for collection	70 559	72 501
Assets managed by the institution	5 298 135	5 054 700
	34 542 296	30 536 852

The caption "Assets given as collateral" at March 31, 2014 includes:

- 139 942 t. euro relating to captive credit and 8 104 375 t. euro relating to securities eligible for funding from the European Central Bank (ECB);
- 612 200 t. euro relating to securities and 177 931 t. euro relating to loans given in guarantee to the European Investment Bank;
- 10 728 t. euro relating to securities given in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);
- 54 562 t. euro relating to securities given in guarantee to the Deposit Guarantee Fund.

At March 31, 2014 the BPI Group managed the following third party assets:

Investment Funds and PPRs	2 090 313
Pension Funds ¹	2 227 307

¹ Includes the Group companies' Pension Funds.

4.32. Financial margin (narrow sense)

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Interest and similar income		
Interest on deposits with banks	137	484
Interest on placements with credit institutions	6 356	8 312
Interest on loans to customers	124 443	136 507
Interest on credit in arrears	2 193	1 738
Interest on securities held for trading and available for sale	85 671	101 789
Interest on securitised assets not derecognised	43 790	43 238
Interest on derivatives	95 521	73 387
Interest on securities held to maturity		61
Interest on debtors and other applications	605	850
Other interest and similar income	976	2 569
	359 692	368 935
Interest and similar expense		
Interest on resources		
Of central banks	2 573	7 864
Of other credit institutions	1 609	3 699
Deposits and other resources of customers	100 800	107 782
Debt securities	17 068	26 578
Interest from short selling	689	106
Interest on derivatives	108 482	83 438
Interest on liabilities relating to assets not derecognised on securitised operations	3 955	5 751
Interest on contingent convertible subordinated debt	18 179	23 961
Interest on subordinated debt	670	752
Other interest and similar expenses	36	82
	254 061	260 013

4.33. Gross margin on unit links

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Income from financial instruments		
Interest	637	773
Gains and losses on financial instruments	7 083	6 757
Gains and losses on capitalisation insurance - unit links	(7 720)	(7 530)
Management and redemption commission	927	650
	927	650

4.34. Net commission relating to amortised cost

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Commission received relating to amortised cost		
Loans to customers	6 866	7 905
Others	268	346
Commission paid relating to amortised cost		
Loans to customers	(1 426)	(1 433)
Others	(303)	(287)
	5 405	6 531

4.35. Technical result of insurance contracts

This caption is made up as follows::

	31 Mar. 14	31 Mar. 13
Premiums	265 315	67 842
Income from financial instruments	21 941	17 092
Imparidade (Nota 4.20)		
Cost of claims, net of reinsurance	(79 392)	(127 467)
Changes in technical provisions, net of reinsurance	(186 104)	59 710
Participation in results	(14 871)	(11 508)
	6 889	5 668

This caption includes the result of capitalisation insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalisation 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.

4.36. Net commission income

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Commissions received		
On guarantees provided	5 530	5 988
On commitments to third parties	615	408
On banking services rendered	61 183	60 348
On operations realised on behalf of third parties	4 746	3 358
Other	621	683
	72 695	70 785
Commissions paid		
On guarantees received	18	7
On financial instrument operations	13	63
On banking services rendered by third parties	8 428	9 024
On operations realised by third parties	995	680
Other	67	(222)
	9 521	9 552
Other income, net		
Refund of expenses	5 964	6 452
Income from banking services	5 326	6 619
Charges similar to fees	(2 778)	(2 480)
	8 512	10 591

4.37. Net income on financial operations

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Gain and loss on operations at fair value		
Foreign exchange gain, net	28 768	19 864
Gain and loss on financial assets held for trading		
Debt instruments	3 194	1 331
Equity instruments	53 036	3 782
Other securities	2	3
Gain and loss on trading derivative instruments	(48 163)	(4 637)
Gain and loss on other financial assets valued at fair value through profit and loss account	218	687
Gain and loss on financial liabilities held for trading	(333)	751
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	36 719	(27 244)
Gain and loss on hedging derivative instruments	(37 106)	28 310
Other gain and loss on financial operations	4 229	572
	40 564	23 419
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to customers		3 452
Gain and loss on financial assets available for sale		
Debt instruments	(132 672)	127 693
	(132 672)	131 145
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	(10 844)	(10 538)
Income on plan assets computed with the discount rate	11 261	11 580
	417	1 042

At March 31, 2014 and 2013 the caption "Gain and loss on financial assets available for sale – debt instruments" includes, respectively, losses of 100 973 t. euro and gains of 129 389 t. euro relating to the sale of Treasury Bonds and Treasury Bills issued by the Portuguese State. At March 31, 2014, this caption also includes losses of 28 550 t. euro relating to the sale of public debt issued by the Italian State.

4.38. Net operating expenses

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Operating income		
Gain on tangible assets held for sale	147	157
Gain on other tangible assets	2 700	807
Other operating income	1 058	1 403
	3 905	2 367
Operating expenses		
Subscriptions and donations	1 374	879
Contributions to the Deposit Guarantee Fund	782	1 951
Contributions to the Resolution Fund	669	
Contribution to the Investor Indemnity System	8	8
Loss on tangible assets held for sale	576	1 009
Loss on other tangible and intangible assets	2 589	985
Other operating expenses	292	673
	6 290	5 505
Other taxes		
Indirect taxes	1 506	1 366
Direct taxes	235	204
	1 741	1 570

4.39. Personnel costs

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Remuneration	68 620	71 623
Long service premium	852	834
Pension costs	1 545	17 505
Early retirements	26	
Death subsidy		(3 317)
Other mandatory social charges	15 965	
Other personnel costs	2 756	2 515
	89 764	89 160

4.40. Administrative Costs

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Administrative costs		
Supplies		
Water, energy and fuel	3 298	3 429
Consumable material	1 261	1 297
Other	241	226
Services		
Rent and leasing	12 234	12 624
Communications and computer costs	9 802	10 383
Travel, lodging and representation	1 840	1 887
Publicity	4 623	4 269
Maintenance and repairs	5 009	5 050
Insurance	1 191	1 237
Fees	1 117	1 175
Legal expenses	1 206	1 080
Security and cleaning	2 919	2 860
Information services	1 416	1 256
Temporary labour	968	1 041
Studies, consultancy and auditing	1 845	1 362
SIBS	4 953	4 585
Other services	5 507	4 772
	59 430	58 533

4.41. Income tax

At March 31, 2014 and 2013, 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 Mar. 14	31 Mar. 13
Current income tax		
For the period	8 727	17 802
Correction of prior years	(22)	(11)
	8 705	17 791
Deferred tax		
Recognition and reversal of temporary differences	(14 665)	(22 798)
On tax losses carried forward	(20 691)	26 169
	(35 355)	3 371
Contribution over the banking sector	3 904	3 271
Total tax charged to the statement of income	(22 746)	24 433
Net income before income tax ¹	(106 439)	77 760
Tax burden	21.4%	31.4%

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).

Reconciliation between the nominal rate of income tax and the tax burden on the first quarters of 2014 and 2013, as well as between the tax cost/income and the product of the accounting profit times the nominal tax rate are as follows:

	31 Mar. 14		31 Mar. 13	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		(106 439)		77 760
Income tax computed based on the nominal tax rate	17.1%	(18 154)	32.6%	25 356
Effect of tax rates applicable to foreign branches	0.0%	15	0.0%	(18)
Capital gain and impairment of investments (net)	0.0%	49	0.6%	435
Capital gain of tangible assets (net)	0.1%	(101)	0.0%	10
Income on Angolan public debt	13.2%	(14 027)	-15.0%	(11 631)
Tax on dividends of subsidiary and associated companies	-1.3%	1 371	1.9%	1 446
Tax benefits	0.3%	(277)	-0.5%	(409)
Impairments and provisions for loans	0.0%	7	3.9%	3 016
Non tax deductible pension costs	-0.4%	477	0.9%	738
Interest recognised on minority interests	0.1%	(88)	-0.1%	(69)
Correction of prior year taxes	0.0%	(22)	0.0%	(11)
Use of tax losses	-3.5%	3 750		
Contribution over the financial sector	-3.7%	3 904	4.2%	3 271
Autonomous taxation	-0.5%	514	0.4%	312
Other non taxable income and expenses	0.2%	(166)	2.6%	1 988
	21.4%	(22 746)	31.4%	24 434

Current taxes are calculated based on the nominal tax rates legally in force in the countries in which the Bank operates.

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 March 31, 2014 and 2013 are as follows:

	31 Mar. 14		31 Mar. 13	
	Deferred taxes		Deferred taxes	
	Assets	Liabilities	Assets	Liabilities
Pension liabilities	714		4 403	
Early retirements	28 966		30 244	
Long service premium	7 576		6 264	
Tax deferral of the impact of the partial transfer of liabilities with pensions to Social Security	25 638		26 773	
Provisions and impairments	154 240		156 638	
Revaluation of tangible fixed assets		(695)		(720)
Revaluation of assets and liabilities hedged by derivatives		(235)		(588)
Financial instruments available for sale				(3 993)
Dividends to be distributed by subsidiary and associated companies		(9 101)		(9 522)
Repurchase of debt				(27 260)
Tax losses	107 578		45 765	
Other	2 169	(20 504)	2 296	(2 344)
Deferred taxes recognised in the income statement	326 880	(30 535)	272 382	(44 427)
Deferred taxes recognised in the fair value reserve	38 710	(6 545)	207 683	(8 761)
Deferred taxes recognised in other reserves	72 964		80 893	
Total deferred taxes	438 554	(37 080)	560 959	(53 188)

Deferred tax assets are recognised up to the amount expected to be realised through future taxable profits.

The BPI Group does not recognise deferred tax assets and liabilities on temporary taxable differences relating to investments in subsidiary and associated companies as it is improbable that such differences will revert in the foreseeable future, except as follows:

- deferred tax liabilities relating to estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the following year out of profit for the year, are recognized;
- deferred tax liabilities relating to all the distributable net income (including the undistributed part) of Banco Comercial e de Investimentos are recognized.

4.42. Earnings of associated companies (equity method)

This caption is made up as follows:

	31 Mar. 14	31 Mar. 13
Banco Comercial e de Investimentos, S.A.R.L.	1 637	3 078
Companhia de Seguros Allianz Portugal, S.A.	1 944	2 281
Cosec – Companhia de Seguros de Crédito, S.A.	1 180	490
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	(139)	(181)
InterRisco - Sociedade de Capital de Risco, S.A.	40	19
Unicre - Instituição Financeira de Crédito, S.A.	596	(15)
	5 258	5 672

4.43. Consolidated net income of the BPI Group

The contribution of Banco BPI and subsidiary and associated companies to consolidated net income on the first quarters of 2014 and 2013 is as follows:

	31 Mar. 14	31 Mar. 13
Banks		
Banco BPI, S.A. ¹	(147 013)	(20 361)
Banco Português de Investimento, S.A. ¹	2 217	241
Banco de Fomento Angola, S.A. ¹	23 414	17 039
Banco Comercial e de Investimentos, S.A.R.L. ¹	1 498	2 817
Banco BPI Cayman, Ltd	512	455
Asset management and brokerage		
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	1 685	2 111
BPI - Global Investment Fund Management Company, S.A.	281	92
BPI (Suisse), S.A.	852	707
BPI Alternative Fund: Iberian Equities Long/Short Fund		705
BPI Alternative Fund: Iberian Equities Long/Short Fund Luxemburgo ¹	3 050	9
Venture capital / development		
BPI Private Equity - Sociedade de Capital de Risco, S.A.	(6)	(3)
Inter-Risco - Sociedade de Capital de Risco, S.A. ¹	40	19
Insurance		
BPI Vida e Pensões - Companhia de Seguros, S.A.	5 609	34 616
Cosec - Companhia de Seguros de Crédito, S.A.	1 180	490
Companhia de Seguros Allianz Portugal, S.A.	1 944	2 281
Others		
BPI, Inc	(7)	21
BPI Locação de Equipamentos, Lda	(1)	12
BPI Madeira, SGPS, Unipessoal, S.A.	(4)	23
BPI Moçambique - Sociedade de Investimento, S.A. ¹	(198)	(214)
BPI Capital Finance		
BPI Capital Africa	(334)	(353)
Finangeste - Empresa Financeira de Gestão e Desenvolvimento, S.A. ¹	(139)	(181)
Unicre - Instituição Financeira de Crédito, S.A.	596	(15)
	(104 824)	40 511

¹Adjusted net income.

4.44. Related parties

The BPI Group's related parties at March 31, 2014 were as follows::

Name of related entity	Head Office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	29.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, SA	Portugal	32.8%	32.8%
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	20.7%
Pension fund of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Ações	Portugal	12.1%	
Fundo de Pensões Aberto BPI Valorização	Portugal	43.6%	
Fundo de Pensões Aberto BPI Segurança	Portugal	28.7%	
Fundo de Pensões Aberto BPI Garantia	Portugal	11.8%	
Shareholders of Banco BPI			
La Caixa Group	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 Moraes			
António Lobo Xavier			
Armando Leite de Pinho			
Carlos Moreira da Silva			
Edgar Alves Ferreira			
Allianz Europe Ltd. - Represented by Herbert Walter			
Ignacio Alvarez-Rendueles			
Isidro Fainé Casas			
José Pena do Amaral			
Juan María Nin			
Klaus Duhrkop			
Manuel Ferreira da Silva			
Marcelino Armenter Vidal			
Maria Celeste Hagatong			
Mário Leite da Silva			
Pedro Barreto			
Tomaz Jervell			

¹ In dutie until 23 April 2014, when the Annual Shareholders Meeting approved the new composition of the Board of Directors for the period 2014 / 2016.

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 (it is assumed that there is significant influence when the participation in capital exceeds 20%) and members of Banco BPI's Board of Directors.

The total assets, liabilities, income and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at March 31, 2014 are 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	27 198		27 198
Other assets	24 186		24 186
	54 085	156	54 241
Liabilities			
Deposits and technical provisions	16 471	129 285	145 756
Other financial resources		60 081	60 081
Other liabilities	1 148		1 148
	17 619	189 366	206 985
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	9 601		9 601
Responsibilities for services rendered			
Deposit and safeguard of assets	1 095 821	998 132	2 093 953
	1 105 422	998 132	2 103 554

The total assets, liabilities, income 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 March 31, 2014 are as follows:

	Shareholders of Banco BPI ¹	Members of the Board of Directors of Banco BPI ²	Companies in which Members of the Board of Directors of Banco BPI have significant influence	Total
Assets				
Financial applications	76 475			76 475
Financial assets held for trading and at fair value through profit or loss	57		406	463
Financial assets available for sale			49 458	49 458
Loans	15 827	11 068	265 541	292 436
Investments held to maturity	14 791			14 791
Other assets			51	51
	107 150	11 068	315 456	433 674
Liabilities				
Financial liabilities held for trading and derivatives	7			7
Deposits and technical provisions	3 025	8 945	19 553	31 523
Other liabilities	1 070	25	108	1 203
	4 102	8 970	19 661	32 733
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	18 332	93	104 565	122 990
Commitments to third parties				
Revocable commitments	210		65 000	65 210
Responsibilities for services rendered				
Deposit and safeguard of assets	1 220 679	27 791	248 042	1 496 512
Other			59 207	59 207
Foreign exchange operations and derivatives instruments				
Purchases	747 664		55 046	802 710
Sales	(748 381)		(55 092)	(803 473)
	1 238 504	27 884	476 768	1 743 156

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, income and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at December 31, 2013 are 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
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	9 631		9 631
Responsibilities 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, income and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at December 31, 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
Other assets			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
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
Responsibilities for services rendered				
Deposit and safeguard of assets	781 234	22 683	399 545	1 203 462
Other			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.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees and directors of the BPI Group at March 31, 2014 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Net income			
Financial margin (narrow sense)	6	(483)	(477)
Net comission income	9 572	4	9 576
General administrative costs	(184)	(4 136)	(4 320)
	9 394	(4 615)	4 779

Total income and costs relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at March 31, 2014 are as follows:

	Shareholders of Banco BPI ¹	Members of the Board of Directors of Banco BPI ²	Companies in which Members of the Board of Directors of Banco BPI have significant influence	Total
Net income				
Financial margin (narrow sense)	172	(46)	105	231
Net comission income		2	1	3
Net income on financial operations	38			38
	210	(44)	106	272

¹ With significant influence on the BPI Group's management policy. It is assumed that there is significant influence when the participation in capital exceeds 20%

² In individual name.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees and directors of the BPI Group at March 31, 2013 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Net income			
Financial margin (narrow sense)	7	(304)	(297)
Net comission income	9 389	7	9 396
General administrative costs	(238)	(4 209)	(4 447)
	9 158	(4 506)	4 652

Total income and costs relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at March 31, 2013 are as follows:

	Shareholders of Banco BPI ¹	Members of the Board of Directors of Banco BPI ²	Companies in which Members of the Board of Directors of Banco BPI have significant influence	Total
Net income				
Financial margin (narrow sense)	350	(14)	153	489
Net comission income		5	2	7
	350	(9)	155	496

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.

4.45 Subsequent events

On May 27, 2014, Banco BPI announced the public exchange offer in respect of outstanding securities issued by Group BPI, for up to 73 928 331 new BPI ordinary, book entry, nominative shares, with no par value, to be issued by BPI, under the conditions defined in the prospectus and other documents published.



Banco BPI

Publicly held company

Head Office: Rua Tenente Valadim, no.284, Porto, Portugal

Share capital: €1 190 000 000

Registered in Oporto C.R.C. and corporate body no. 501 214 534