Annual Report

Banco BPI 2014

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Report

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Index

Leading business indicators

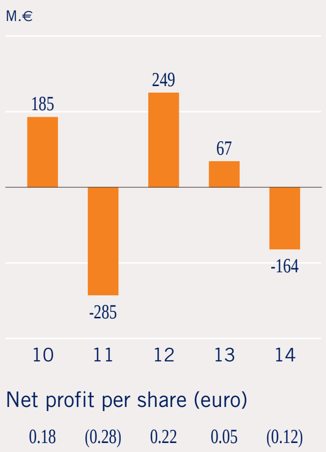
(Consolidated figures in M.€, except where indicated otherwise)

	2010	2011	2012	2013	2014
Net total assets	45 660	42 956	44 565	42 700	42 629
Assets under management[1]	18 592	14 425	13 445	13 121	15 911
Loans to Customers (gross) and guarantees	33 621	31 535	30 519	29 004	28 474
Customer deposits	22 209	23 778	23 800	24 551	26 518
Total Customer resources[2]	33 168	32 818	31 004	31 669	35 401
Business turnover[3]	66 789	64 353	61 523	60 673	63 875
Business turnover[3] per Employee (thousands of euro)	7 155	7 287	7 088	6 958	7 509
Loans to deposits ratio[4,5]	122%	109%	106%	96%	84%
Net operating revenue	1 098.8	1 020.1	1 330.0	1 048.1	857.7
Net operating revenue per Employee (thousands of euro)	117	112	151	120	99
Operating costs / net operating revenue[6]	64.5%	67.2%	48.1%	62.1%	78.3%
Operating costs / net operating revenue, excluding non-recurring impacts[7]	62.5%	64.4%	62.1%	69.4%	61.6%
Net profit	184.8	(284.9)	249.1	66.8	(163.6)
Return on average total assets (ROA)	0.6%	(0.4%)	0.8%	0.4%	(0.1%)
Return on Shareholders' equity (ROE)[8]	8.9%	(13.5%)	13.1%	2.9%	(7.3%)
Adjusted data per share (euro)[9]					
Net profit per share	0.184	(0.284)	0.216	0.048	(0.115)
Book value	1.441	0.467	1.235	1.389	1.467
Weighted average no. of shares (in millions)[9]	1 003.5	1 003.8	1 154.6	1 383.7	1 422.3
Credit at risk / Loans to Customers[5]	2.7%	3.2%	4.2%	5.1%	5.4%
Impairments cover of credit at risk[10]	72%	70%	71%	77%	82%
Net credit loss[11]	0.46%[12]	0.43%	0.92%	0.96%	0.70%
Pension liabilities to Employees	2 306	836	937	1 082	1 278
Cover of pension obligations[13]	105%	100%	105%	105%	98%
Shareholders' equity and minority interests	1 964	822	2 061	2 306	2 546
Core Tier 1 capital ratio (Bank of Portugal)[5]	8.7%	9.2%	15.0%	16.5%	-
Common Equity Tier 1 ratio (CRD IV / CRR rules for 2014)				15.6%	10.2%[14]
Common Equity Tier 1 ratio (CRD IV / CRR fully implemented)				11.2%	8.6%[14]
Closing price (euro)[9]	1.232	0.471	0.943	1.216	1.026
Stock market capitalisation at year end	1 247	476	1 311	1 690	1 495
Distribution network (no.)[15]	959	917	914	871	835
BPI Group staff complement (no.)[16]	9 335	8 831	8 680	8 720	8 506

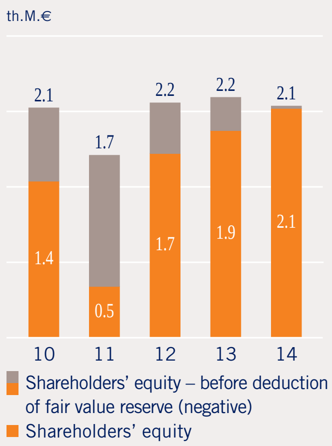
Table 1

1) Figures not corrected for double counting (investments of financial products in other financial products). Includes unit trust funds, retirement-savings plans (PPR's) and equity savings plans (PPA's), capitalisation insurance, limited-risk / capital-guaranteed bonds, Private Banking and institutional Clients' assets under discretionary management and advisory mandate and assets of pension funds under management (including the BPI Group's Employees' pension funds).
2) On-balance sheet Customer Resources (deposits, bonds placed with Customers and capitalisation insurance) and off-balance sheet resources (financial-asset and real-estate unit trust funds, equity savings plans and retirement savings plans). Figures corrected for double counting.
3) Customer loans, guarantees and total Customer resources.
4) Deposits as a percentage of net loans.
5) Calculated in accordance with Bank of Portugal Instruction 16 / 2004.
6) Operating costs (personnel costs, outside supplies and services and depreciation and amortisation) as a percentage of net operating revenue.
7) Excluding non-recurring impacts both in costs and revenues.
8) In calculating ROE, it was considered the Shareholders' equity prior to deduct the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets.
9) Figures adjusted for capital increases by way of the incorporation of reserves in May 2011 and through cash injection in August 2012.
10) Cover by accumulated loans and guarantees impairment allowances in the balance sheet and without considering the effect of collaterals.
11) Loan impairment charges in the year, after deducting recoveries of loans written off (income statement) / Customer loans.
12) The extraordinary charge of 33.2 M.€ made in 2009 was added to impairments for the year in 2010 by virtue of that extraordinary charged having been utilised.
13) Includes contributions to the pension fund made at the beginning of the following year.
14) Pro forma figures considering the adherence to the special regime applicable to deferred tax assets (DTA) and the change to the risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.
15) Includes network of traditional branches and investment centres in Portugal, in France (Paris branch) and in Angola (BFA), and the network geared to serving large and medium-sized companies, project finance centre and the institutional centres in Portugal, the corporate centre in Madrid (Madrid branch) and the corporate centres in Angola.
16) Excludes temporary workers.

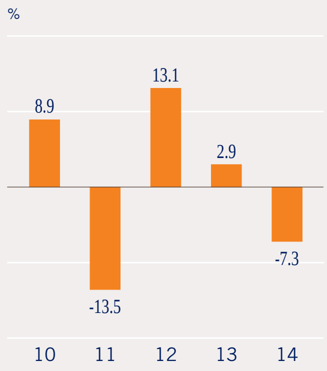
Net profit



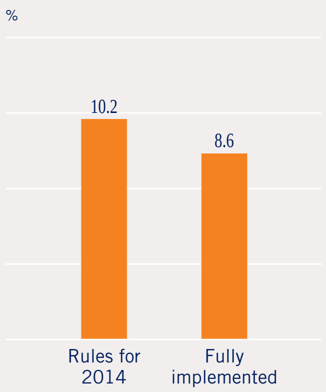
Shareholders' equity



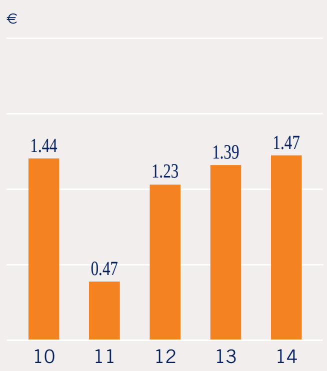
ROE



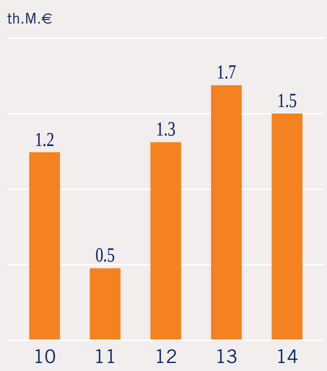
Common Equity Tier 1 ratio
31 December 2014



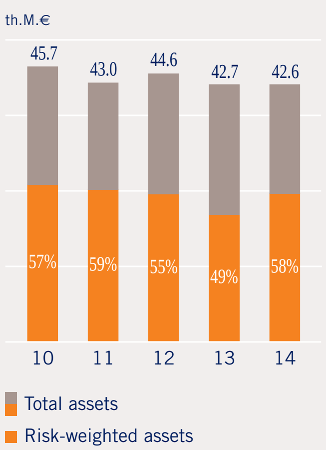
Book value per share



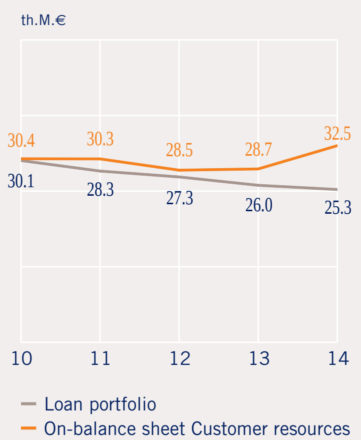
Stock market capitalisation



Total assets



Loan portfolio and on-balance sheet Customer resources



Net credit loss

Figure 1

ACRONYMS AND ABBREVIATIONS

BPI Group entities – some designations adopted

"BPI Group" / "BPI"*:
The financial group as defined in page 16.

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

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

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

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

Units

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

* if the context so permits.

Introduction

NEW CHALLENGES

The repayment of public capital

As envisaged and three years ahead of schedule, BPI complied with management's principal goal that had been announced for the 2014 financial year: the full repayment of the contingent capital subscribed by the Portuguese State in 2012.

Between June 2012 and June 2014, BPI paid to the State for this operation a total of 167 million euro in interest, corresponding to an average interest rate of 8.6%. The State, which funded for this purpose by means of a line contemplated in the Economic and Financial Assistance Programme with a rate of 3.3%, earned over the same period an average margin of 5.3%, translating into a gain of 102 million euro that reverted in favour of the Portuguese taxpayer.

Also fulfilled one year earlier than anticipated were all the goals of the restructuring programme prescribed by the European Commission's Directorate General for Competition as a consequence of the adoption of the State-support capitalisation plan. Having completed these two processes, the Bank has liberated itself from any exceptional conditionality relating to its management actions.

Chairman of the Board of Directors

Artur Santos Silva

Stress tests

In another fundamental domain, also forming part of the agenda announced for 2014, BPI was subjected together with 129 other European banks, to a Comprehensive Assessment conducted by the European Central Bank, in cooperation with the national supervisory authorities. The comprehensive assessment was founded on two pillars: an AQR – Asset Quality Review, covering credit and market risks, entailing the analysis of impairments, collateral and quality of information; and a stress test, undertaken with the support of the European Banking Authority. This test includes a baseline scenario and an adverse scenario for simulating the institutions' resilience capability under especially difficult conditions.

The results announced on 26 October meant that BPI was situated as the best Iberian bank in the AQR and in the stress test's baseline scenario, and second best in the adverse scenario. Considering the universe of all the institutions analysed, the Bank was classified respectively 31st and 36th in the baseline and adverse stress test scenarios.

Exposure to Angola

On 16 December 2014, BPI announced to the market that the Republic of Angola had not been included by the European Commission in the restricted list of 17 States or territories recognised as having financial institution supervision on a par with the EU. This supervision is now the direct responsibility of the European Central Bank with effect from 4 November 2014, in an alteration that corresponds to the realisation of the first phase of Banking Union.

Consequently, as from 1 January 2015, Banco BPI's indirect exposure in kwanzas to the Angolan State and to Banco Nacional de Angola ceased to be considered by the European Central Bank for purposes of the capital indicators using Angolan regulatory weightings, after which the criteria envisaged by European regulations began to be applied (CRR, CRD IV).

This means that BPI's aforesaid indirect exposure ceased to have a zero or 20% weighting as the case may be, to have a weighting without exception of 100%. Applying the new risk weightings, BPI's Core Tier 1 capital ratio declined by one percentage point to 8.6% in 2014 under the fully-implemented rules. This ratio, calculated on pro forma figures taking into account the adherence to the special deferred tax asset regime (DTA) approved at the Bank's General Meeting of 17 October 2014, is above the required minimum, which is 7%.

As a second effect of the new rules, Banco BPI's indirect exposure to the Angolan State and to BNA ceased to be exempt from the application of the large risks limit provided for in European regulations (CRR), which would be exceeded by some three thousand million euro.

It is BPI's opinion, transmitted to the European authorities, that the total maximum loss that it might have to bear in Angola is the amount of the exposure to BFA which is shown in its accounts, in other words, 394 million euro, which amount is less than the limit of the large risks laid down for the Bank on a consolidated basis.

Based on this reasoning, a request was submitted to the European Central Bank for the application as regards BFA of the equity method for prudential purposes: this would allow accommodating the impact of the new regulatory framework in a manner such that, in the opinion of BPI, constitutes the maximum potential risk of its exposure to Angola.

Given that this standpoint was not accepted by the European Central Bank, the definition of alternative solutions to overcome the situation outlined above constitutes one of the Bank's main management priorities for 2015.

Novo Banco

On an entirely different matter, but nonetheless within the framework of the exogenous facts impacting the Bank's operations, it is important to refer, as a fact of paramount importance for Portugal's financial system, to the resolution process applied to Banco Espírito Santo by the supervision authorities, which led in August 2014 to the creation of Novo Banco, a transitional institution which should be obligatorily sold within a maximum timeframe of two years. The creation of Novo Banco was supported by a capital contribution of 4.9 thousand million euro, financed by the Bank Resolution Fund. The fund, administered by the Bank of Portugal and by the Ministry of Finance, is constituted from the contribution of all the system's institutions, in amounts proportionate to their relative weight, with BPI's participation rising from 8 to 10% due to the effect of BES's disappearance. On 16 December 2014 BPI's Board of Directors decided to present a non-binding "manifestation of interest" in the first phase of the process of Novo Banco's sale.

Results

BPI presented in 2014 a net loss of 163.6 million euro in consolidated terms, which reflects the combination of one of the best contributions ever from international operations – 126 million euro – with a loss of 289.7 million euro in domestic operations.

More than 90% of the negative performance posted in domestic operations can be ascribed to non-recurring items with the following origins, accounted for after tax:

- loss of 105.9 million euro realised on the sale of Portuguese and Italian medium and long-term public debt;
- costs of 20.5 million euro with the payment of interest on the contingent convertible bonds;
- 23.1 million euro of early-retirement costs;
- write-off of deferred tax assets totalling 50.9 million euro relating to 2011;
- write-off of 23.3 million euro of deferred taxes due to the change in the corporate income tax (IRC) rate;
- other sundry costs, also sporadic, in the amount of 40.5 million euro.

Without the above impacts, the consolidated earnings would have been a positive 100.6 million euro, while the loss incurred in domestic operations would have dropped to 25.5 million euro, a slightly better figure than the 28.3 million euro loss reported in 2013.

Domestic operations

The result from BPI's domestic operations reflects, as with all the financial institutions operating in Portugal, a persistently negative internal landscape that has been deteriorating since 2007 with the outbreak of the international financial crisis. The combination of economic anaemia with interest and inflation rates close to zero has severely impacted banks' income statements, which have simultaneously been hit by a high level of impairments and by the unrelenting pressure on net interest income against a backdrop of pronounced deleveraging.

The progressive upswing in profitability from operations in Portugal, through a virtuous combination of several contributions emanating from both the cost and income sides, constitute the Bank's first management priority for the forthcoming years. The behaviour of impairments, the adjustment to the prices of loans and resources, the re-scaling of installed capacity and the operational efficiency gains, accompanied by a foreseeable stabilisation of the economic environment, will help in sustaining this gradual recovery, with tangible results already in 2015.

The domestic loan book contracted by a year-on-year 5.9%, with declines in all segments, above all in the public sector and in large corporations, but with clear signs of a slowdown and recovery towards the close of the year, accompanying the improved outlook and the confirmation of the signs of a tentative upturn in growth. And despite BPI pursuing a more conservative policy of remunerating deposits than the market average, total Customer resources climbed 7.6%, corresponding to two thousand million euro.

BPI's Net Operating Revenue in domestic operations fell by around 40% in 2014, a trend which is explained almost exclusively by the decrease in Profits from Financial Operations. This is due to the losses incurred with the sale of 50% of the exposure to Portuguese and Italian medium and long-term debt securities following a strategic decision that permitted reducing to 2.7 thousand million euro the Bank's balance sheet exposure to sovereign risk, which at the end of the year represented only one third of the volume recorded in June 2012, when the recourse to contingent capitalisation became imperative.

Added to this impact is the negative behaviour of the chief recurring components of net operating revenue: net commissions fell 4%, primarily as a consequence of the contraction in lending activity while the financial margin retreated 2.4%, influenced by four principal factors:

- the volume effect resulting from the loan portfolio's contraction, accompanied by the narrowing of spreads in the companies segment;
- the persistence of a relatively high cost of time deposits, which evidenced a negative margin of 1.39% in the 4th quarter of the year, despite it being better than the level of 1.75% registered in the same quarter of 2013;
- the 55 million euro decrease in interest income on Treasury Bills and Treasury Bonds which offset half of the cost that resulted from the repayment of the contingent capital;
- the contraction to levels of close to zero of the average margin on sight deposits, a reflection of the minimum levels attained by the Euribor rates.

International operations

The net profit from international operations was 126 million euro, the second best ever since BPI sold in 2008 a 49.9% stake in Banco de Fomento Angola. The contribution of the 30% interest in the capital of BCI, in Mozambique, which is equity accounted was 10.6 million euro, which represents a 7% increase; BFA's contribution, which corresponds to the appropriation of 50.1% of its individual net profit advanced 33% to 117 million euro, reflecting the institution's best result since its formation in 2002: 246 million euro.

BFA closed the 2014 financial year with indicators which demonstrate its commercial and financial strength: 1.3 million Customers, 186 commercial premises, 2 526 Employees, total assets of 8.4 thousand million euro, total liquidity of more than 5 thousand million euro, return on shareholders' equity (ROE) of 35%, 24% solvency ratio and a 25% loans / deposits ratio. Other indicators, such as the 142% cover for loans in arrears for more than 90 days or the efficiency ratio, as measured by the quotient operating costs / net operating revenue, which dropped by five percentage points to 34.7%, evidenced on the other hand, a prudent balance sheet and a sound organisation, fundamental to face serenely the new domestic environment resulting from the drop in the oil price.

Liquidity, Risk and Costs

As a consequence of the behaviour of loans and resources, the transformation ratio decreased from 118 to 106% in domestic operations and from 96 to 84% in consolidated terms.

Irrespective of other effects, mostly negative, this differential's additional reduction reinforces the Bank's comfortable position as regards the management of its liquidity, as clearly borne out by the early repayment of 2.9 thousand million euro to the ECB, to which it maintained an exposure of 1.5 thousand million euro at the end of 2014, the lowest for the Portuguese financial system, while also having a total of 6.4 thousand million of assets eligible for new operations. Still in this domain, it should be noted that up until 2018 the medium and long-term refinancing needs are a mere 276 million euro.

BPI's credit-risk ratio in December 2014 stood at the same level of 5.4% from the domestic and consolidated viewpoint, which is the best performance amongst the banks operating in Portugal and one of the two best for the Iberian Peninsula, representing in both cases around half of the average for each of the aforesaid markets. The volume of impairments declined by more than one third on the domestic and consolidated levels, while the cost of credit risk – measured by way of the weight of impairments net of recoveries on the loan portfolio – fell from 0.98 to 0.66% and from 0.96 to 0.70%, respectively, on the domestic and consolidated fronts.

Operating costs, including the non-recurring effect of early retirements, recorded a 3.2% year-on-year increase in consolidated terms and of 2.2% in domestic operations; measured as a percentage of net operating revenue, recurring costs fell however from 69 to 62%. Between 2008 and 2014, operating costs were down 89 million euro in absolute terms, a 15% retreat, with an accumulated inflation of 8%. As is to be expected given their relative weight, personnel costs excluding early retirements contributed roughly 50% to this trend. In the above period, the total number of Employees declined from 7 767 to 5 962, a 23% drop, accompanied by the closure of 171 commercial network units, corresponding to a 21% reduction.

In June and December, changes were made to the Pension Fund actuarial assumptions in order to adjust the discount rate to market conditions, as well as the growth rates for salaries and pensions, which entailed a negative actuarial variance of 151.6 million euro in 2014, partially offset by positive variances, amongst which the earnings of the actual Fund, which at the end of the year presented a deficit of 77 million euro. A contribution of 47 million made at the beginning of 2015 permitted reducing to 30 million the negative balance and ensured 100% and 95%, respectively, cover of liabilities to retirees and current Employees. The Pension Fund's actual return since its creation in 1991 and up till the end of 2014, attained an annual average of 9.3%. In the past ten, five and three years, the actual annual return was respectively 7.1, 7.8 and 15.1%.

Quality and Recognition

The two-year period 2013-14 was the best in BPI's history from the standpoint of service quality indicators and public recognition.

In the first quarter of 2014, the Bank achieved a historical high in its own Service Quality Indicator (SQI) based on a period survey of 15 thousand Customers, and in the second half of the year its best result in "Mystery Customer", an independent evaluation of the service provided at all the branches of the banks operating in Portugal, with BPI being situated well above the market average and that of its main competitors. It also outstripped these in two benchmark surveys relating to bank Customers' satisfaction – Basef published by Marktest, and that of ECSI, Índice Nacional de Satisfação do Cliente (National Index of Customer Satisfaction), an European indicator applied in Portugal by a partnership between Associação Portuguesa da Qualidade, Instituto da Qualidade and Universidade Nova de Lisboa.

In the reputation and public recognition arena, BPI was rated by the Exame magazine as the best large bank in 2013 and 2014, based on a set of eleven audited management indicators; it was ranked in 2014 by the magazines The Banker and Euromoney the best Private Bank and the best Local Private Bank, respectively; for the second consecutive year, it was voted the Trusted Brand in Banking in a poll organised by the Reader's Digest; it was included for the first time in 2014 in the Superbrand-Excellence Brands in Portugal list and repeated countless distinctions in the investment banking and capital markets areas. A comparable degree of recognition was also attained by BFA, which for the second consecutive year was honoured by being rated the best bank in the national and international classifications which cover the Angolan market.

The challenging internal economic climate and the far-reaching adjustment process that the Bank has been subject to did not prevent it from once again, in 2014, confirming the essential points of its social responsibility programme, which in global terms involved more than 4.5 million euro directed at initiatives within the Culture, Social Solidarity, Education and Innovation fields. Special mention is made of the BPI Capacitar and BPI Seniores Prizes, which jointly permitted assisting 40 thousand people through the country in the past five years, by way of financial contributions for the projects of more than one hundred institutions, devoted to improving the living conditions of the elderly or physically disabled.

Addendum

On 17 February 2015, twenty days after the public release of the 2014 accounts, CaixaBank, which holds 44.1% of BPI's capital, made public the launching of a takeover bid for the total of the Bank's share capital, offering a price of 1.329 euro per share and setting two conditions: i) the elimination of any limit on the voting rights of any shareholder in general meeting, currently embodied in article 12(4) of the Statutes; and ii) the acquisition of a minimum of 5.9% of the shares, thus enabling it to hold more than 50% of the share capital.

On 5 March 2015, BPI's Board of Directors pronounced itself on the Offer in a report made public, considering the price offered insufficient and recommending that shareholders not to accept it. According to the Board, the price that reflects the current value of BPI is 2.04 euro per share, 1.12 euro corresponding to domestic activity and 0.92 euro to international activity, to which must be added a further 0.22 euro resulting from the attribution to the other shares of half of the synergies announced by the Offeror.

Board of Directors' Executive Committee

João Pedro Oliveira e Costa, Manuel Ferreira da Silva, Pedro Barreto, José Pena do Amaral (standing)

António Domingues (Deputy-Chairman), Fernando Ulrich (Chairman), Maria Celeste Hagatong (seated)

Highlights of 2014

2014

January

8 As part of the 4th edition of the Prémio BPI Capacitar prize, BPI handed over 500 thousand euro to 19 institutions which submitted projects with the objective of making the difference and contribute to improving the quality of life of handicapped persons and those suffering from permanent disabilities.

26 BPI is voted for the first time in 14 years, the Portuguese public's Brand of excellence in the banking sector according to the Brands of Excellence survey conducted by the Readers' Digest in 10 countries.

30 Disclosure of the consolidated results for 2013: net profit of 66.8 M.€ and a ROE of 2.9%.

March

19 Banco BPI repurchases 500 M.€ of contingent convertible subordinated bonds, reducing the amount of CoCo held by the Portuguese State from 920 M.€ to 420 M.€.

April

23 Disclosure of the consolidated results relating to the first quarter of 2014: consolidated net loss was 104.8 M.€ and the ROE was -5.2%.
Shareholders approve at the Annual General Meeting the annual report and accounts, the proposed appropriation of 2013's results and the other motions submitted by the Governing Bodies, namely the election of the Governing Bodies' members for the three-year term 2014-2016 and a capital increase within the context of the projected public swap offer of debt for shares.

June

12 Public Swap Offer (PSO) of subordinated debt and preference shares for ordinary shares launched by Banco BPI is accepted by the holders of negotiable securities equal to 91% of those that were the object of the Offer. There was a reinforcement of the Common Equity Tier 1 (CET1) own funds of 113 M.€ and a reinforcement of the Common Equity Tier 1 capital ratios in March 2014, pro forma, after the PSO: "fully implemented" CRD IV / CRR from 9.7% to 10.4%; CRD IV / CRR in force in 2014 (Phasing-in) from 13.2% to 13.7%.

25 Banco BPI concluded, 3 years ahead of the deadline and with the last payment of 420 M.€, the repayment of the total recapitalisation operation in the amount of 1 500 M.€ realised in June 2012 when the Portuguese State subscribed for 1 500 million euro of CoCo.

July

4 In the *Investor Relations & Governance Awards* – the event promoted by Deloitte and *Diário Económico* with the aim of rewarding excellence in financial communication by entities quoted on the Euronext Lisboa – BPI is honoured with the award for the Financial System's Best Annual Report and Accounts for the sixteenth time over the past 27 years. BPI is also rated as the Best Research House in Portugal for the ninth time in eleven editions and wins the prize for the best market analyst.

24 Disclosure of the consolidated results relating to the first six months of 2014: consolidated net loss was 106.6 M.€.

September

12 / 13 Banco Português de Investimento hosts in Cascais the eleventh Iberian conference for small and mid caps, which was attended by more than 100 institutional investors and 44 Iberian companies.

October

17 BPI shareholders unanimously approve in General Meeting a proposal of the Board of Directors for Banco BPI to adhere to the Special Regime for Deferred Tax Assets approved by Law no. 61 / 2014 of 26 August. Considering the deferred tax assets existing at 31 December 2014, adherence to this regime had a positive impact on Common Equity Tier 1 capital of 246 M.€ and of 1.2 p.p. on the fully loaded CET1 ratio (from 8.4% to 9.6%).

24 The consolidated results relating to the first nine months of 2014 are disclosed: consolidated net loss amounts to 114.3 M.€.

26 BPI presents the results of the Comprehensive Assessment carried out by the ECB, which comprised an AQR (or Asset Quality Review) and a stress test. The results obtained by BPI were the best amongst the Iberian banks in the AQR and in the baseline scenario of the stress test and the second best in that test's adverse scenario.

November

18 BPI was ranked for the 2nd consecutive year as the Best Large Bank, the Most Solid Bank, the Most Profitable Bank (*ex aequo*) and for the 1st time the Bank that grew the most, walking away with all the distinctions of the Exame magazine's 2014 Banking and Insurance Awards in the Big Banks' category.

December

16 BPI manifests interest regarding the sale of Novo Banco, S.A.
BPI informs that the Republic of Angola is not included in the list disclosed by the European Commission, pursuant amongst other regulations to article 114(7) of Regulation (EU) no. 575 / 2013, of 26 June 2013 (CRR), of third countries with regulation and supervision on a par with that of the European Union. This situation is reflected based on the situation at 31 December 2014, in an increase in risk-weighted assets of 4 475 M.€ in international operations and an increase in CET1 of 173 M.€. The impact on the fully loaded CET1 ratio is -1.0 p.p.

2015
January

29 Release of the consolidated results for the 2014 financial year: net consolidated loss is 161.6 M.€, strongly affected by negative extraordinary results of 264.3 M.€ in domestic operations.

February

17 CaixaBank, S.A. makes public a preliminary announcement of the launching of a takeover bid (Oferta Pública Geral de Aquisição – OPA) for all of Banco BPI, S.A.'s shares at a price of €1.329 per share.

18 BPI is once again the Trusted Brand in Banking in 2015, according to the Readers' Digest Trusted Brands survey.

19 Moody's places the long-term rating under Review for Upgrade, in the wake of the CaixaBank takeover bid.

20 S&P places the long-term rating on CreditWatch with Positive Implications, following the takeover bid.

25 Fitch places BPI's long-term credit rating on *Rating Watch Evolving*, and the short-term rating on *Rating Watch Positive*, following the launch of the takeover bid.

March

5 The Board of Directors presents its report on the Public Offer for Acquisition (Tender Offer) for Banco BPI, S.A. shares, announced by CaixaBank, S.A. The Board of Directors was of the opinion that the price of 1.329 euro per share offered by CaixaBank does not reflect BPI's current value, with the result that it recommended to its shareholders not to accept that Offer.

Financial structure and business

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

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

At 31 December 2014, 78.6% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 21.4% to international activity.

Leading indicators by business segment
At 31 December 2014

Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets[2]	34 177	8 452	42 629
Loans to Customers[3] and guarantees	26 076	2 399	28 474
Total Customers resources	28 004	7 396	35 401
Business turnover[4]	54 080	9 795	63 875
No. of Customers (thousand)	1 754	1 301	3 055
No. of Employees	5 962	2 544	8 506
Distribution network (no.)	649	186	835

Table 2

Main units of the BPI Group

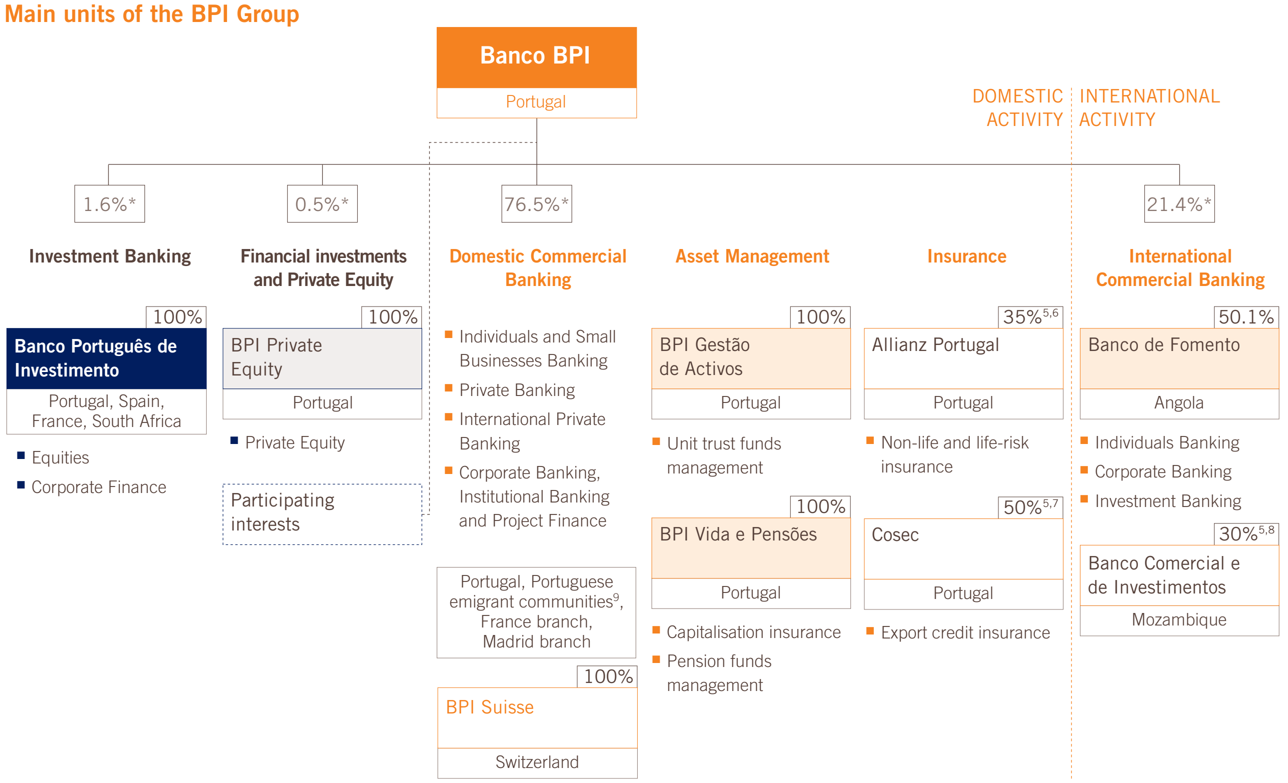


Figure 2

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

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

Human resources

Staff headcount

At 31 December 2014, the BPI Group's workforce numbered 8 506.

In domestic operations, the staff headcount fell by 5% (-312), to 5 962 Employees.

In international operations, in Angola, the workforce grew by 98, which represents a 4% increase. At the end of 2014, Banco de Fomento Angola's headcount stood at 2 526 Employees, of which 25 is BPI staff seconded to Angola.

BPI Group Employees

			Year-end figures			Year-average figures		
			2013	2014	Δ%	2013	2014	Δ%
Domestic activity								
Activity in Portugal								
Banco BPI		1	5 858	5 641	(3.7%)	5 951	5 763	(3.2%)
Banco Português de Investimento		2	145	56	(61.4%)	136	134	(1.5%)
Other subsidiary companies		3	65	61	(6.2%)	65	64	(1.5%)
	[= Σ 1 to 3]	4	**6 068**	**5 758**	**(5.1%)**	**6 152**	**5 961**	**(3.1%)**
Overseas branches and representative offices		5	206	204	(1.0%)	200	205	2.5%
Domestic activity	*[= 4 + 5]*	6	**6 274**	**5 962**	**(5.0%)**	**6 352**	**6 166**	**(2.9%)**
International activity								
Banco de Fomento Angola		7	2 428	2 526	4.0%	2 362	2 466	4.4%
BPI Capital Africa		8	14	14	0.0%	11	14	27.3%
Financial services Mozambique		9	4	4	0.0%	1	4	300.0%
International activity	*[= 7 + 8 + 9]*	10	**2 446**	**2 544**	**4.0%**	**2 374**	**2 484**	**4.6%**
Total[1]	*[= 6 + 10]*	11	**8 720**	**8 506**	**(2.5%)**	**8 726**	**8 650**	**(0.9%)**

Table 3

BPI Group staff complement

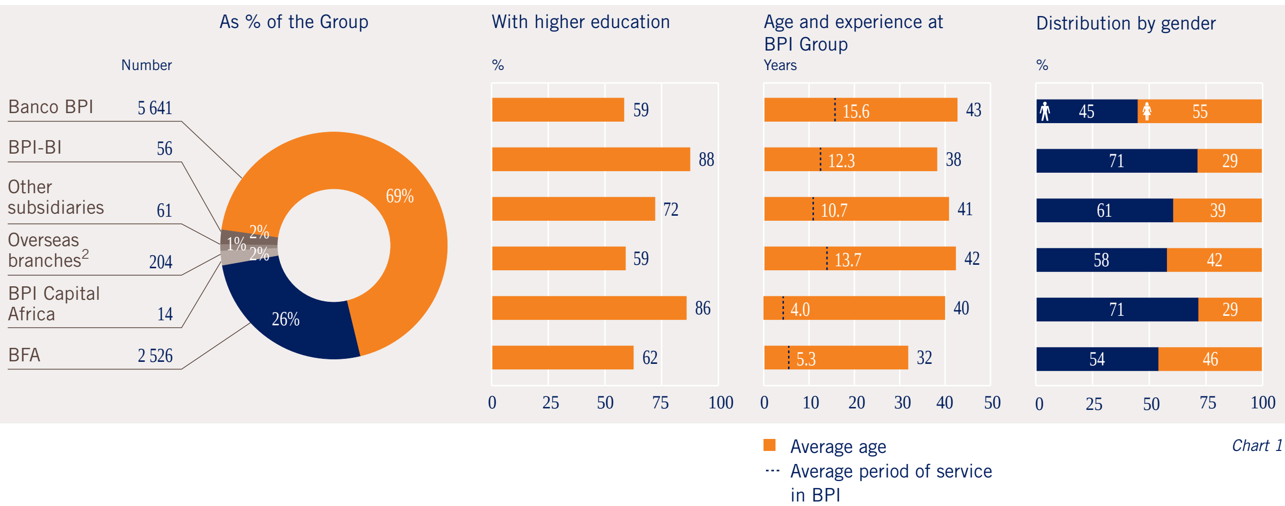


Chart 1

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI.
At 31 December 2013 and 2014, the number of Employees with fixed-term contracts in Portugal stood at 41 and 21, respectively, while for overseas operations, the number stood at 13 and 4, for the same dates.
In average terms, the number of Employees with fixed-term contracts in Portugal was situated at 49 and 35 in 2013 and 2014, respectively, while the corresponding figures for overseas operations were 13 and 7, respectively.
2) Overseas branches and representative offices.

Distribution channels

In Portugal and Europe

Banco BPI

546
TRADITIONAL BRANCHES

39
INVESTMENT CENTRES

52
CORPORATE CENTRES

1 448
ATM (AUTOMATIC BANK)

30 451
POINTS OF SALE (ACTIVE)

28 353
COMMERCIAL PARTNERS

12
BRANCHES (PARIS BRANCH)

INTERNET BANKING
(active users)

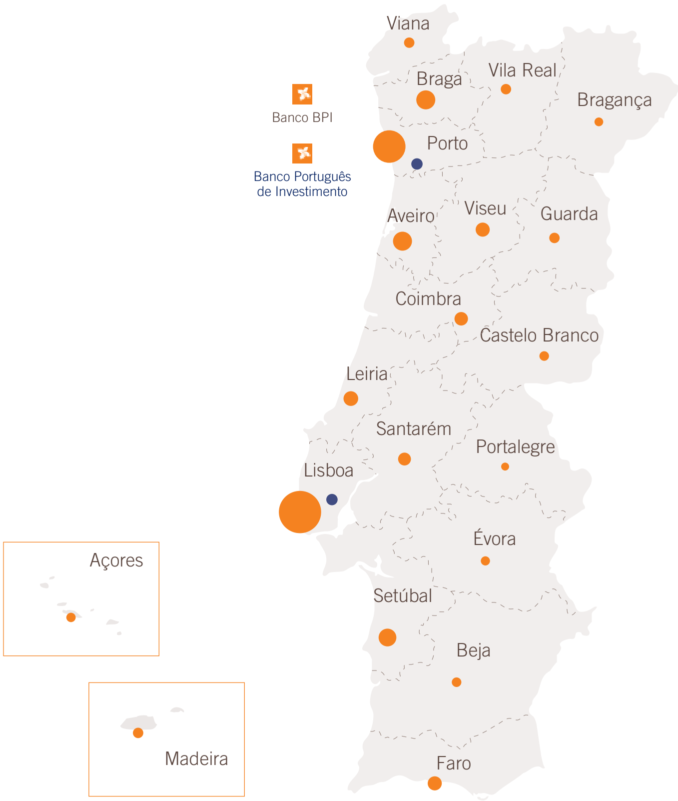
788 135
BPI NET

100 604
BPI NET EMPRESAS

TELEPHONE BANKING
(active users)

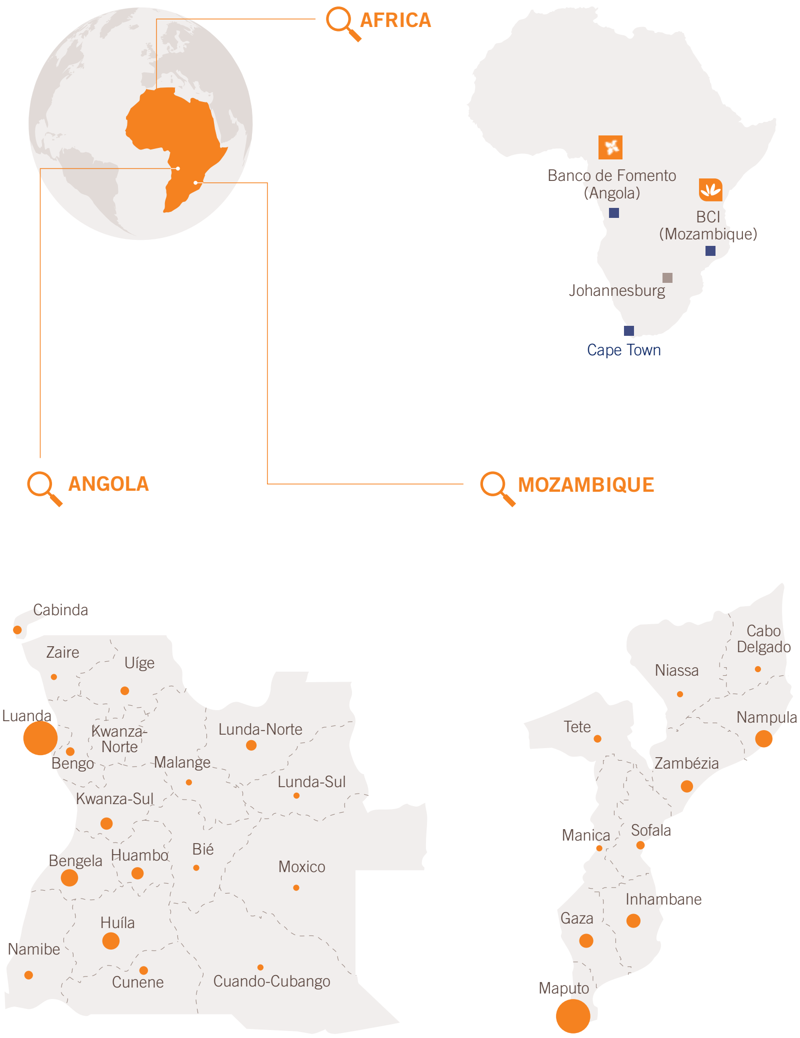
437 831
BPI DIRECTO

PORTUGAL



EUROPE

In Africa



Banco de Fomento (Angola)	BCI (Mozambique)	
161	146	TRADITIONAL BRANCHES
9	21	INVESTMENT CENTRES / EXCELLENCE CENTRES
16	1	CORPORATE CENTRES
371	477	ATM (AUTOMATIC BANK)
6 564	6 303	POINTS OF SALE (ACTIVE)

INTERNET BANKING
(active users)

494 039	48 601
BFA NET PARTICULARES	E-BANKING PARTICULARES
10 461	9 063
BFA NET EMPRESAS	E-BANKING EMPRESAS

Around the world

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

Investment Banking
- Bank
- Offices
- Overseas units

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

Figure 3

Digital banking

The manner in which Customers relate to their Bank is undergoing profound transformation and the need to integrate traditional banking with the new relationship paradigms constitutes one of the principal challenges for financial institutions in the coming years. In particular, it is necessary to invest in the continued renovation of the of the multiple contact channels and in the improvement in the relationship experience that we offer our Customers.

On the internal front, this digital transformation made itself felt primarily in the redesign and simplification of the business and in the alteration to the work and collaboration processes, with an impact on the enhanced quality of service, efficiency and internal productivity.

Having terminated in 2014 an ambitious programme of technological modernisation initiated in 2012, during which all the infrastructures, work stations and telecommunications solutions were revamped, BPI is particularly well prepared to spearhead this transformation.

Of the multiple initiatives carried out in 2014, some stand out due to the major impact on the Bank's business and efficiency.

GOBANKING SOLUTION

During the past year, the work station of all the financial advisers at BPI's Investment Centres was substituted by a new solution, known as GoBanking, and which has, in a totally innovative manner in the Portuguese banking market, substantially increased the quality of service and commercial productivity.

This solution, founded on hybrid equipment which functions in portable or tablet mode, and on a new application centred on the interaction with the Customer, was developed to support the relationship between the financial advisers and their clients both at the Investment Centre premises or with the Customers outside of BPI's premises by means of complete mobility and security.

In 2015, a corresponding solution will be developed for the Corporate Centres' Customer Managers.

REMOTE SPECIALISTS

In 2014, the service to Customers was boosted with the introduction of the Remote Specialists solution.

Supported by a wide-ranging network of more than 120 video-conference rooms at all the Investment Centres, at all the Corporate Centres and at more than 50 branches, this solution enables access to Product and Investment Specialists as part of the commercial meetings between the Customer and his / her Manager.

NEW MOBILE APPS

In 2014, BPI bolstered its presence in the mobile channel with the launching of new Apps and reinforcing the functionalities of the Apps already in existence, notably:

- the launch of the App BPI Empresas for smartphone and iPad, which makes possible consultations and authorisations to Customers who have signed up to BPI Net Empresas;
- the launch of the App BPI Poupança, focused on promoting and simplifying the act of setting aside savings;
- the unveiling of an optimised version for iPad of the App BPI, with new functions that allow subscribing and consulting digital correspondence and digital documentation.

It is worth mentioning that in 2014 more than 100 thousand new downloads of BPI Apps were made (300 thousand downloads since the launching of these applications).

INCREASED RANGE OF SERVICES AT BPI NET EMPRESAS

In 2014, the utilisation functionalities of BPI's banking services and products via BPI Net Empresas were amplified, notably the reinforcement of payment and collection solutions, payroll management, the issue of guarantees and the adherence to digital documentation.

NEW PUBLIC SITE AND SOCIAL NETWORKS

A new public website was unveiled in 2014 – more focused on the Customer and on the commercial response to their needs, and with greater emphasis on the commercial relationship tools, in particular, click-to-call, click-to-chat simulators and sharing on the social network. The Site Mobile BPI was also launched (m.bancobpi.pt), accompanying in this fashion the growth observed in the access to the Internet via mobile devices.

As concerns the implementation of BPI's presence on the social networks, 2014 saw the creation of the YouTube BPI channel, coinciding with the launching of the 'BPI. O Meu Banco. O Meu Futuro' (BPI. My Bank. My Future) campaign, which already has several videos related to topics such as Apps BPI, Investment Centres, instructions for opening accounts, BPI Seniores, BPI Capacitar, APPY DAY BPI, BPI Surf Board Test and BPI at Serralves.

SUPPORT FOR LENDING PROCESSES

Also noteworthy in 2014 was the further automation of loan processes, leading to increased decision-making capacity and a reduction in the response time to the Customer. In particular, a new decision-support solution was launched defining credit limits and the automatic approval of operations based on pre-approved limits and the automated issue of contracts.

COLLABORATION AND INTERNAL MOBILITY SOLUTIONS

The renovation of the telecommunications infrastructures and work stations in 2014, besides significantly improving Employees' productivity as a result of the improved performance of the work tools, was also an opportunity for upgrading solutions supporting collaboration and mobility, with special mention of:

- the increased use of mobile solutions as work stations;
- the reinforcement of communication tools based on instantaneous voice, video and video-conference communications and document sharing for the joint work of the commercial and central teams;
- strengthening of internal training solutions, with the availability of decentralised training rooms with video-conferencing support and webcast and video-sharing solutions.

"Consumer Satisfaction Index" (latest wave of 2014)
- BPI leader in the CSI index – Internet Banking
- BPI leader in Internet Banking Channel Penetration

"Financial Services Companies' Barometer – BFin" (2014)
- BPI leader in "Utilisation of Net Banking with Principal Bank"
- BPI #2 in "Banks used via Net Banking" and in "Banks used via Mobile Banking"

"Stock brokerage Services – Ranking CMVM" (2014)
- BPI leader in Online Stock Broking

The BPI Brand

BPI reaffirmed its position as the best Bank in Portugal, confirmed by virtually all the distinctions given in the last two years to financial institutions by independent national and international entities.

2014 marked BPI's return to the prime visibility channels, asserting itself as a Bank with the sound basis of trust and prepared for the future, having a strong bond with society, its problems and its aspirations. Despite the drop in results, the Bank maintained its financial support for its social responsibility programmes, which involved total contributions of 4.55 million euro in 2014, distributed amongst the culture, solidarity, education, innovation and entrepreneurship areas. As usual, this subject is treated in an appropriate chapter of this report.

Reputation and recognition

BPI's performance was publicly recognised in all the major areas of financial activity by independent national and international entities. Meriting special mention are the following distinctions given to the Bank in 2014:

- **Best Large Bank, Most Solid Bank, Most Profitable Bank (ex aequo) and Bank which Grew the Most**
  For the 2nd consecutive year in the Large Banks category and, for the 1st time, the Bank which Grew the Most, receiving all the awards in Exame's 2014 Banking and Insurance Awards. BPI's classification is the result of an analysis of twelve economic and financial indicators conducted by Deloitte with the collaboration of Informa D&B Portugal.

Best Large Bank in 2013 and 2014

- **Brand of Excellence in Portugal**
  According to Superbrands, an independent international organisation dedicated to the promotion of brands governed by values such as longevity, loyalty, acceptance, goodwill and market domination in 89 countries since 1995. Superbrands analyses brand performance with a view to identifying those which outstrip that of their rivals.

- **Best Private Banking in Portugal**
  BPI was rated *Best Private Bank* in Portugal in the *Global Private Banking Awards 2014*, according to a poll carried out by the magazines PWM and The Banker, published by the Financial Times Group. BPI was selected on the basis of an evaluation done by a panel of international specialists in the banking field, and also taking into account the annual survey of performance indicators for this sector, compiled by *Scorpio Partnership.*

Best Private Banking in Portugal

- **5 Capital Market awards**
  BPI won the first 5 places in the *Euronext Lisbon Awards 2015*, the Euronext event that honours the performance of those entities which contributed most actively to the development of the Portuguese capital market in 2014. BPI was the institution with the largest number of first places, covering the following categories: *Most Active Research House, Market Member – Most Active Trading House in Bonds, Market Member – Most Active Trading House in Shares – EnterNext, Best Capital Market Promotion Event – Dedicated to Institutional Investors and Investment Fund / Open Pension Fund in Portuguese Stocks.*

- **Best Research House in Portugal**
  For the 9th time in eleven editions of the *Investor Relations & Governance Awards 2014*, organised by Deloitte and Diário Económico for rewarding the best market practices. BPI also received for the 2nd consecutive year the award for the best market analyst.

- **Best Annual Report and Accounts in the Financial System**
  BPI's 2013 Annual Report and Accounts was voted the best in the *Investor Relations & Governance Awards 2014* – for the sixteenth time in the last 27 years.

- **Best Iberian Peninsula Stock Broker**
  Distinction *ex aequo* given by the *Starmine Analyst Awards 2014*, in a classification compiled by Thomson Reuters which measures the precision of the estimates and recommendations of *Equity Research* analysts.

- **All Buyside Firms**
  Honour bestowed upon BPI Gestão de Activos (BPI Asset Management) by Thomson Reuters, in the *Extel Survey 2014* realised amongst the principal international fund managers with the object of rating fund management firms.

- **2nd Best Sales Team on Iberian Peninsula**
  In the category *Equity Sales*, according to Thomson Reuters in the *Extel Survey 2014* realised amongst the major international fund managers. BPI was also rated in second place in the Iberian Conference and third place in *Trading & Execution – leading Brokerage Firm and Company & Expert Meetings*.

- **2nd Best Research Team on the Iberian Peninsula**
  In the *2015 Institutional Investor All-Europe Research Team*, one of the sector's most prestigious awards, securing for the 4th consecutive year a Top 3 ranking in this category.

Satisfaction and trust

BPI was recognised for the 2nd consecutive year as the most trusted banking brand in Portugal, according to the Trusted Brands survey which the Reader's Digest has organised in the last 15 years in 10 countries.

Trusted Brand 2014 and 2015

In the ECSI Portugal – National Index of Customer Satisfaction, BPI occupies in 2014 second place amongst the banks surveyed individually, and the first place amongst the Portuguese financial system's five biggest banks. This index also reveals that 91.6% of BPI Customers declared their satisfaction with the service received.

BASEF – Estudo de Base do Sistema Financeiro (Financial System's Base Survey), published by Marktest, confirms once more that BPI has the highest Customer satisfaction level amongst the Portuguese financial system's five largest banks as regards overall satisfaction indicators and the quality of attendance, a leading position that it has always held, as well as the quality of its products while maintaining the lowest share of abandonment.

BFin – Barómetro Serviços Financeiros Empresas, (Financial Services Companies Barometer), a market survey published by DATA E, which has as its objective the analysis of the financial services market in Portugal, confirms that BPI is the globally most efficient bank and 2nd best overall for companies and with the most suitable products. It is also rated the 2nd closest to Customers. In the coverage of banking needs, BPI is the leader in Internet Banking. Amongst the five biggest banks, it is 2nd with the lowest share of abandonment.

Investment and communication

In 2014, the financial sector posted 35% growth in advertising investment, with BPI being the eighth largest investor for the universe of all the sectors of activity, with a share of 5%.

My Bank. My Future. (advertising campaign)

In the ranking of the financial sector's total expenditure, BPI occupies 10th place with a total market share of 12% amongst the five biggest Portuguese banks and 5% for the financial sector total.

In the domain of communication policy, 2014 was marked by the launch of the My Bank. My Future campaign after the Bank had completed the full repayment of the recapitalisation operation subscribed by the State, 3 years before the deadline. With this institutional campaign, BPI underlined the sense of service, warm welcome and readiness to help that Customers and the community will always find at the Bank, even in the most difficult and uncertain times.

According to Marktest's Publivaga survey, this campaign obtained the highest level of receptiveness of all the campaigns realised in the financial sector since 2012.

With this campaign, a BPI channel was also launched on YouTube where the film was viewed 300 thousand times. This channel is organised by themes, with special mention of the Bank's action in the social responsibility field.

In the business sector, the Bank launched a series of initiatives directed at assisting Portuguese companies and continued to assume a sustained leading position in the main State-backed programmes and company classifications: PME Líder and PME Excelência and the PME Investe and PME Crescimento credit lines.

Of the vast array of initiatives realised in 2014, the following merit highlighting:

- Launch of new public website, simpler and more intuitive, more complete and clearer, with the aim of facilitating its utilisation and the rapid access to the content relating to the Bank.

- Enlargement of the Bank's range of Apps, with 4 new solutions, amongst which App BPI Empresas (for companies) and the App BPI Poupança (for savings). More than 100 thousand new downloads of BPI Apps were made in 2014, with approximately 300 thousand new downloads since the introduction of these applications in 2012.

- Availability in partnership with COSEC of BPI Negócio Seguro PME, an innovative and exclusive solution which covers the non-payment of credit sales in Portugal and abroad, facilitating the growth and internationalisation of companies.

- Launch of BPI IVA JÁ, a short-term financing product designed for companies and sole proprietors, which enables them to receive their VAT refunds in advance, thus affording more efficient treasury management – which is fundamental for companies to boost liquidity and expand their businesses.

- In the agricultural and agro-industrial sector, the 2014 edition of the Agriculture Award – a joint initiative of BPI and the Cofina Group, sponsored by the Ministry of Agriculture and the Sea – is aimed at incentivising and publicising examples of success in agriculture in Portugal. BPI continued to support this sector's main fairs and events: National Agriculture Fair, Colóquio Nacional do Milho, Ovibeja, SISAB and Agroglobal.

- In 2014 and in collaboration with key public and private entities, the Bank organised and participated in a total of 40 events which attracted some 4 thousand attendees. These workshops addressed important issues affecting Portuguese firms, with special focus on the challenges posed by exports and internationalisation, agriculture, urban rehabilitation, innovation and entrepreneurship. Amongst these initiatives, it is worth highlighting the seminars dedicated to the topic "BPI Export start-up" with the object of promoting the debate of international business matters and the cycle of entrepreneurship workshops dealing with the topic "How to present projects to financiers", organised in partnership with NOS.

- It made available the BPI EIF Innovation II credit line, in the amount of 200 million euro, to innovative companies, a facility backed by the European Investment Fund. This line is aimed at financing innovative firms' (with less than 500 employees) investments and working capitals under competitive terms. BPI was the first financial institution to launch the Risk Sharing Instrument in Portugal and led this instrument's placing with a total of 160 million euro, benefiting 220 companies.

Social responsibility

BPI interprets its social responsibility as the Institution's set of duties and obligations towards the Community of which it forms an integral part and to the specific interest groups that depend on its activity: Customers, Shareholders, Companies, Employees and Investors.

In this respect, the exercise of social responsibility is conducted in multiple dimensions, from the outset in compliance with the Law and applicable regulations, the observance of in-house norms of conduct, corporate governance policy and respective execution, the relationship with investors, the promotion of service of quality, the policy of human resources advancement, the company's involvement in society and support for their initiatives.

In this chapter, an overview is presented of the Bank's action in supporting initiatives to society in domains such as solidarity, culture, education and investigation, and innovation and entrepreneurship.

In these fields, the nature of BPI's intervention assumes different forms, ranging from the grassroots development of welfare projects through to the support for already-existing entities.

BPI is governed by the following principles of action:

- support to institutions of acknowledged importance in Portuguese society;
- which demonstrate the ability to become sustainable;
- based on a logic of continuity and lasting commitment.

In 2014, the Bank once again reinforced its backing for initiatives to society, with a total contribution of 4.55 million euro, in response to the manifestations of the various institutions' needs arising from the country's current socio-economic situation. Notwithstanding this environment, in the last 8 years the Bank has contributed annually an average amount in the order of 4.38 million euro.

Meriting special mention in 2014 is the Movement for Employment programme, a joint initiative of the Fundação Calouste Gulbenkian and COTEC Portugal in partnership with the Instituto do Emprego e Formação Profissional (Employment and Vocational Training Institute), via which BPI granted a total of 250 paid internships with a duration of 1 year. This initiative, launched in 2013 and executed in 2014, has as the principal objectives contributing to improving the qualification and professional advancement of new graduates, thereby facilitating their integration into the labour market.

BFA – Banco de Fomento Angola, in which BPI has a 50.1% shareholding, continued to back major initiatives through its social fund. At the close of 2014 the value of the social fund was 17.3 million dollars.

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

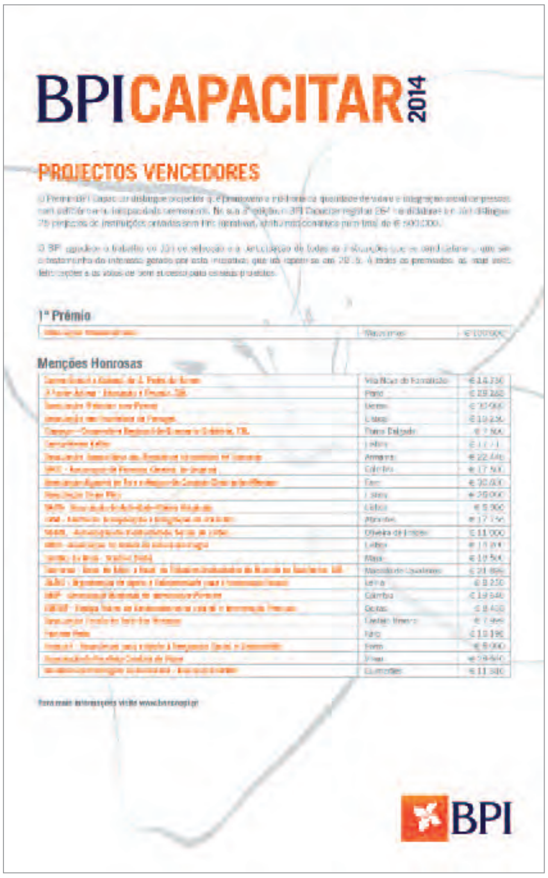
SOCIAL SOLIDARITY

BPI Capacitar – Value people

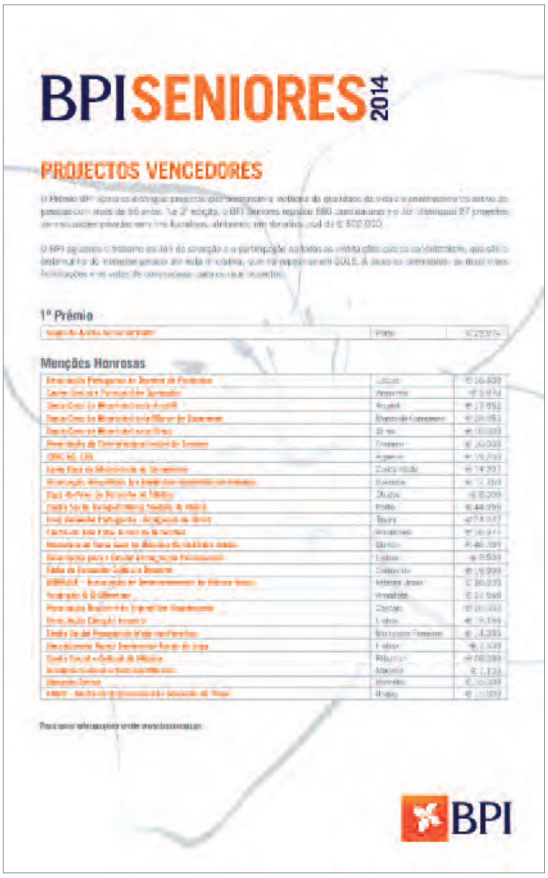
In 2014, in the social solidarity area, it is worth highlighting the 5th edition of the BPI Capacitar Award, which attracted 264 candidacies and attributed distinctions in the amount of 500 thousand euro to 25 non-profit institutions which have as their mission promoting improved quality of life and the social integration of handicapped or persons with permanent disability. The 1st prize was handed over to the Associação Nomeiodonada for a pioneering project in the Iberian Peninsula in the area of continued and palliative paediatric care. With this award, the Association will equip "O Kastelo", offering well-being, quality of life and psycho-social support for children with chronic and incurable diseases or handicaps.

BPI Seniores – Better off in 3rd age

Also noteworthy was the 2nd edition of the BPI Seniores Award, earmarked to support projects that promote social integration and the active involvement of persons aged more than 65. In this 2nd edition, the Prémio BPI Seniores award registered 580 candidacies and attributed grants in the amount of 500 thousand euro to 27 non-profit institutions, encompassing more than 19 thousand direct beneficiaries.



BPI Capacitar (enable) 2014 – winning projects



BPI Seniores (elder people) 2014 – winning projects

The 1st award was given to the Oporto Social Welfare Group (Grupo de Acção Social do Porto) which will rehabilitate the houses of the elderly by means of small low-cost repair works and with voluntary labour.

In total in the last 5 years, the Prémios BPI Capacitar and BPI Seniores awards handed over more than 3.5 million euro for the implementation of 127 social inclusion projects. These cover some 40 000 direct beneficiaries and constitutes one of the most important Corporate Social Responsibility initiatives in Portugal.

The following initiatives in the social solidarity arena also deserve mention:

- The Solidarity Campaign – Help a Child to Smile – which permitted offering for the 3rd year a present to some 20 thousand children of 482 regional solidarity institutions. The Christmas Trees at 650 BPI commercial and central premises in Portugal and in the countries where the Bank is represented, were decorated with a card which bore the name and gift each child wanted to receive for Christmas. The presents were offered by the bank's Customers and Employees. BPI also participated with a donation to each local institution and to institutions operating at national level.

This smile is for you

- The renewed support to EPIS – Empresários pela Inclusão Social (Businessmen for Social Inclusion), whose activity is centred on fighting school failure and abandonment, contributing to the growth and development of young people within the framework of human dignity, giving priority to education and qualification at school, university and in the workplace, as a fundamental instrument for personal realisation and social inclusion.

- Other important initiatives in this sphere are the renewed support for the Centro de Acolhimento para Crianças Refugiadas (homeless children); to Movimento ao Serviço da Vida (MSV) to back the project Casa das Cores; to Instituto de Surdos da Imaculada Conceição (deaf people); to Banco Alimentar Contra a Fome (food bank), to Operação Nariz Vermelho, to Liga do Hospital D. Estefânia; to Fundação de Direitos Humanos Pró-Dignitate (human rights); to Novo Futuro – Associação de Lares para Crianças (childcare homes); to Cruz Vermelha Portuguesa (Red Cross); to BUS – Bens de Utilidade Social (social utility goods); to Associação Crescer Ser; to Associação Portuguesa de Crianças Desaparecidas (missing children association).

In Angola, the following initiative received support from BFA:

- Falciform Anaemia Awareness Campaign – BFA associated itself with this initiative, which besides making the population aware of the risks and behaviours to prevent this disease, seeks to raise funds to equip a wing of the Luanda paediatric hospital devoted to the diagnosis and treatment of falciform anaemia. The disease, characterised by the alteration of the red cells in the blood, currently affects more than 3 million Angolan citizens, with an incidence of 1 500 new cases every year, and is already considered to be a grave public-health problem in Angola. The age group most affected by this chronic illness are children with a very high mortality index.

- Angola Food Bank – In 2014, BFA maintained its backing for the BACFA with the acquisition of a van to transport and deliver the food collected in the campaigns realised at the main supermarkets in Angola.

- Leigos para o Desenvolvimento – In Angola and since 1992, the Leigos para o Desenvolvimento has developed projects for social inclusion and in the job market directed at underprivileged youths and women. In 2014, BFA maintained its support for this institution, assuming the costs associated with the sending of 16 voluntary workers to undertake the institution's projects in the cities of Uige and Benguela.

In Mozambique, BCI continued to channel a portion of the revenue generated by the use of its "Daki" debit cards in transactions realised by its Customers, funnelling these to fund causes and social solidarity institutions without additional costs for the cardholders, making donations to the following institutions: Centro de Acolhimento Rainha da Paz (shelter home) and Orfanato Mundo dos Mais Pequenos (orphanage); Casa do Gaiato; Associação Esmabama; 10.ª Gala Beneficente da Televisão de Moçambique; CERCI Maputo – Associação Nacional para a Educação e Reabilitação de Cidadão Inadaptados e Paediatric Services of the Hospital Geral da Machava.

CULTURE

BPI continued to lend support in 2014 to leading national institutions linked to the arts, such as the Museu de Serralves and the Casa da Música, of which the Bank was a founder, and to Fundação Calouste Gulbenkian, with which it associated itself for the 13th consecutive year in the cycle of the Grandes Intérpretes concerts.

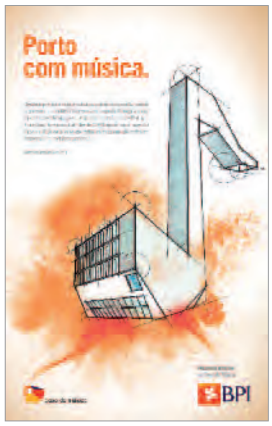
- Sole patron of the Museu de Serralves, which registered more than 484 thousand visits in 2014, the highest number ever.

- Patron of the Grande Exposição Anual de 2014, commemorating 25 years of the Fundação and 15 years of the Museu de Serralves, with the title "Histórias: Obras da Colecção de Serralves" which received more than 105 thousand visitors.

- Patron of "Serralves em Festa" – 40 hours of uninterrupted culture, com more than 100 activities, more than 250 cultural sessions, which set a new attendance record: 140 724 visitors.

- Principal patron of the Casa da Música, with 575 thousand visitors in 2014, of which 300 thousand were spectators.

Serralves em festa – 40 hours non-stop



Porto with music

- Patron of the Sala Suggia, known as the heart of the Casa da Música, with more than 100 thousand spectators.

- Patron of the festival "À volta do Barroco", a festival at which Casa da Música groupings performed, as well as certain other more renowned artists, such as Jordi Savall.

- Sponsor of the "Verão na Casa", with a wide variety of shows at the Casa da Música, in the Mosteiro da Serra do Pilar with "Cais de Fado" and on the Avenida dos Aliados, captivating more than 110 thousand people.

- Patron of the cycle of Grandes Intérpretes concerts, as part of the Gulbenkian Música 2014 season, with more than 12 thousand spectators.

Also worth mentioning is the renewal of the patronage of the Fundação Casa de Mateus, Museu de Arte Contemporânea de Elvas, Centro Nacional de Cultura, Museu do Caramulo, Teatro Viriato in Viseu and the contributions to Fundação Luís Miguel Nava and to the Museu Nacional de Arte Antiga. Contuinity was given to the Festival Internacional de Curtas Metragens (Short films festival) at Vila do Conde and to the Jornal As Artes entre as Letras.

In Mozambique, BCI maintained its support for some of the main socio-cultural initiatives as active partners in the enhancement and preservation of the country's artistic heritage:

- VIII Edition of the National Culture Festival, with the theme "Cultural Diversity, Inspiration for the Construction of Mozambican Spirit and Development";

- IV edition of the BCI Literature Prize, a BCI initiative in partnership with AEMO – Associação dos Escritores Moçambicanos (Association of Mozambican Writers). This award, which has now become a national reference in the literary world, aims to promote the appreciation and dissemination of Mozambican literature through the recognition of the best works published domestically in the past year by national authors;

- BCI Mozambique Music Awards (BCI MMA), Festival da Marrabenta, Gala Ngoma Moçambique 2014, Festival de Timbila "M'saho 2014" and Summer Festivals staged at the following beaches: Zalala, Tofo, Barra, Xai-Xai and Lago Niassa – events with large public participation and with the object of showcasing the artistic potential of Mozambique's traditional and light music.

BCI also renewed its long-term backing for the Companhia Nacional de Canto e Dança (National Song and Dance Company), the Fundação Malangatana Valente Ngwenya and the Culture Division of the Universidade Eduardo Mondlane – manager of the diversified art treasures of the Museu Nacional da Moeda, Museu da História Natural, Fortaleza de Maputo, Museu de Arqueologia, Museu de Geologia, Museu de Patologia and Herbanário.

BCI also sponsored the Escola Nacional de Música (National School of Music), which will permit equipping the oldest teaching institution of this art form with new musical instruments for the pursuance of its activity, as well as offering study bursaries for the training of students selected on the basis of their talent and who do not have the means to bear the costs of attending courses at that establishment.

EDUCATION AND RESEARCH

In the field of education and research BPI had at the end of 2014, protocols in force with a total of 30 higher learning institutions. Worth special reference are the long-term protocols with the Instituto Superior Técnico, where social support is provided to students from Portuguese-speaking African countries PALOP; with the Fundação para a Ciência e Tecnologia (science and technology foundation) sponsoring the Lisbon MBA; with the Universidade Católica Portuguesa; with the Escola de Tecnologias Navais da Armada (Navy's naval technologies school) where courses in leadership and team-building were ministered to 131 BPI Employees; with the Universidade do Algarve, in the granting of 5 excellence bursaries in the amount corresponding to one year's tuition fees.

With the objective of contributing actively to boosting financial training, BPI carried out a series of initiatives for the fourth consecutive year at public and private schools dealing with "The importance of saving". In 2014, it staged 166 sessions involving more than 11 thousand participants. This initiative is a response to the challenge launched by the National Plan for Financial Education organised by the Bank of Portugal.

2014 also saw the continuity of the partnership with the Ministry of Education for the Cambridge English for Schools project, the main purpose of which is to contribute to the widespread certification of the population in the use of the English language, conferred by one of the world's most prestigious learning institutions – Cambridge University.

Also noteworthy was the continued support to Jus Gentium Conimbrigae and to the Instituto de Direito Penal Económico e Europeu, both of the Coimbra University's Law Faculty, as well as the cooperation with the Associação Escola Superior Biotecnologia of the Universidade Católica.

In Angola, BFA forged partnerships with various leading entities in those domains:

- Fundação Calouste Gulbenkian and the Health research Centre of Angola (Centro de Investigação em Saúde de Angola – CISA) formed a partnership whose main goal is the development of a sustainable strategy for reducing micronutrient deficiency and malnutrition amongst children in the first 5 years of life. This research project is taking place in the Bengo province, municipality of Dande, and will have a duration of 2 years. In 2014, BFA associated itself with this CISA research project by way of a fundamental contribution for its viability.

- MBA Atlântico – This is a training programme for top managers lectured in 3 Portuguese-speaking countries: Angola, Brazil and Portugal. In its 5th edition, the initiative of Universidade Católica de Angola, Universidade Católica Portuguesa and Pontifícia Universidade Católica do Rio de Janeiro aims to promote the exchange of academic, professional and networking experiences amongst executives of the three countries. BFA has been supporting the MBA Atlântico since its first edition and, in line with previous years, a Bank Employee was selected to take part in the programme.

- Cooperativa Portuguesa de Ensino em Angola – This non-profit institution certified by the Ministry of Education in Portugal, has been in existence in Angola for 28 years. The Luanda Portuguese School as it is known has contributed unequivocally to the training of thousands of young people in this city. In 2014, BFA supported this institution through the acquisition of a bus for transporting students between classes and sporting and social activities that take place outside the school campus.

In Mozambique, BCI undertook several initiatives of incentivising and rewarding merit and excellence of those students enrolled for medium and higher tier courses at the country's premier universities and polytechnic colleges. The integration of young graduates in curricular internships and professional induction in various work areas at BCI constituted an integral part of the support strategy for this sector.

INOVATION AND ENTREPRENEURSHIP

In 2014, BPI supported and organised a number of initiatives aimed at promoting innovation and entrepreneurship, amongst which:

- The Agriculture Award, an initiative of the Cofina Group and BPI, in partnership with the Ministry of Agriculture and the Sea, has the object of encouraging and rewarding cases of success in the Portuguese Agriculture, Agro-Industrial, Livestock and Forestry sectors in the Large Companies categories (winner: Sugal – Alimentos S.A.); Small and Medium-sized Companies (winner: Fundação Eugénio de Almeida); Associations / Cooperatives (winner: Carmim – Cooperativa Agrícola de Reguengos de Monsaraz); Young farmers (winners: Lúcia Freitas) and New Projects (winner: STERRIUSt Agroup Prod. CRL).

- For the 5th consecutive year, BPI staged the BPI Inovação Awards which are intended to reward ideas proposed by BPI Employees which promote innovation in the area of the Bank's products, services or processes.

- iTGROW – Software e Sistemas, ACE, an innovative project in Portugal participated by BPI and by Critical Software which concentrates on the IT skills of new graduates by means of a training and learning programme for proficiency in a professional environment. A salient fact in 2014 was the team's consolidation (which at the present moment already boasts more than 90 young engineers), the commitment to training diversity (to better address the needs of IT projects) and the commencement of professional internships of 20 trainees of the "Acertar o Rumo" programme. This vocational training programme is directed at young university graduates – in domains firmly based on logical reasoning and mathematics –

with talent, willingness to learn and to focus on alternative areas with good career opportunities, namely in the Information Technologies sphere.

- The New Idea Competition, a Business Plans Contest for students of the Universidade Nova de Lisboa (UNL). The initiative which BPI backed for 6th consecutive year, is promoted by the Entrepreneurship Office of the UNL's Rectory with the goal of offering students an integrated traineeship experience which stimulates the entrepreneurial attitude and multi-disciplinism. In the 2014 edition, the BPI 1st Prize went to UVemotion, which is developing a small ultra-violet radiation detector. The 2nd prize went to Heat it, which developed a lunch box with thermal functions that does not require electricity connections. The 3rd prize was given to Course Me up, a marketplace which links students who are searching for a course at teaching entities.

- PME Inovação COTEC BPI Award, organised by COTEC, which has relied upon the Bank's support since its creation in 2005. This award rewards Small and Medium-sized Enterprises (SME) with innovative businesses, examples for creating value for the country.

- 7th edition of FAZ – Innovative Entrepreneur Award in the Portuguese diaspora, organised by COTEC, which every year honours Portuguese businessmen who attain notoriety abroad for the entrepreneurial skills in their host countries. In the 2014 edition, the winners were Ricardo Ribeiro and Jorge da Costa.

In Angola, BFA supported the GEM project, one of the biggest independent polls of entrepreneurship conducted throughout the world, which has as the primary objective analysing the relationship between the level of economic growth and that of entrepreneurship, as well as determining the conditions that stimulate and halt entrepreneurial dynamics in each participating country. BFA has been a partner of this initiative since 2008 and supports the survey in all of its stages: gathering and analysis of information, the holding of interviews, drafting of reports and staging of seminars.

The year 2014 was also marked by BCI joining of the Clube Empresarial da Gorongosa, a Mozambican business community created for the purpose raising resources for promoting restaurant facilities in the Gorongosa National Park (PNG), the largest biodiversity conservation park in Mozambique and one of the biggest in the world. In this context, funds were channelled to the Vulnerable Children's Education Project for children who live in the Park and its surrounding areas under very precarious conditions. This project, one of six priority pillars of the PNG Restaurant Projects, seeks to train the segment of the populations to embark on new professions, helping its members to develop their own productive activities and to generate income, discouraging them from resorting to practices that could jeopardise the park's natural resources and compromise its future.

Background to operations

PORTUGAL – ECONOMY AND MARKETS

WORLD AND EUROPEAN ECONOMY

The International Monetary Fund (IMF) estimates that the world economy posted 3.3% growth in 2014, maintaining the previous year's rhythm but below the forecast at the start of the year. The more subdued growth than initially projected reflects the less favourable performances of both the developed and the emerging and developing economies. The first-mentioned advanced 1.8% while the latter group grew 4.4%. Amongst the developed economies, it is worth noting the divergent performances of the North American, Japanese and Euro zone economies. The first surpassed expectations, the second disappointed and the third displayed the risk of deflation, forcing the European Central Bank to bolster its expansionist monetary policy. For 2015, the prospects are moderately more favourable, with the IMF forecasting 3.5% growth for the global economy. The risks to the above scenario are slightly slanted downwards, by virtue of the existence of unfavourable geopolitical factors and the possibility that growth in the Euro zone and Japan will fall short of that expected. It is important however to bear in mind that these economies should benefit from the lower oil price.

Monetary policy

In 2014 the monetary policies of the developed economies continued to have an accommodative bias, but amongst the principal central banks signs emerged of a divergence in their positioning, given the disparities in the respective economic cycles, stronger in the Anglo-Saxon economies. In October, the Federal Reserve successfully terminated the third package of unconventional measures announcing that it would pursue with the rollover of the portfolio, thus maintaining the balance sheet close to current levels. The decision to rollover the long-term debt portfolio reflects the Federal Reserve's concerns in maintaining the accommodative content of its policy, continuing to support activity on the financial markets. For its part, the Bank of Japan and the ECB boosted the expansionist stance of its policies.

More expansionist European Central Bank

In order to combat the risk of deflation and in an attempt to reanimate the mechanism for transmitting monetary policy to the economy, the ECB stepped up the level of its monetary policy accommodation, adopting the following measures:

- cutting the key refinancing rate to 0.05% and the rate of the permanent deposit facility to -0.20%;
- extending until September 2018 the less restrictive stance regarding the assets eligible as collateral for ECB loans and the period of unlimited fundraising until December 2016;
- suspension of liquidity absorption associated with the purchase of public debt securities pursuant to the SMP;
- realisation of eight long-term refinancing operations (4 years) directed at injecting dynamism into the lending market;
- implementation of a programme of purchasing securitised assets – ABS and a new programme for the purchase of covered Bonds;
- already in 2015 it announced that between March 2015 and September 2016 it would purchase monthly 60 th.M.€ of long-term private and public debt.

The end of the programme could be extended, depending on whether the inflation rate behaves in line with the monetary authority's goal. Also in 2015, the ECB revised the conditions for access to the long-term liquidity-supply operations directed at injecting dynamism into the lending market: the interest rate on the remaining operations is now the same as that for the principal funding operations i.e., the same as the key refinancing rate (0.05%).

Asset Quality Review

October saw the conclusion of the comprehensive assessment of the European banking system, signalling the start of the first pillar of banking union, that is, the Single Supervisory Mechanism, under which the ECB will henceforth be responsible for the direct supervision of 130 banks in the Euro zone (82% of the assets of the Euro-zone banks) and indirect supervision of the remainder. The assessment of the banking system focused on the creation of equitable conditions for the evaluation of financial institutions' assets and the execution of stress tests, thereby contributing to greater transparency in the process. As regards the other Banking Union pillars, it should be noted that in October 2016 the Single Resolution Mechanism will come into effect, the final design of which is still open; the third pillar, which includes the Single Resolution Fund, the deposit guarantee system and a common support mechanism will only be completed in 2026.

The comprehensive assessment of the banking system included the analysis of the quality of banks' assets (Asset Quality Review) and the conduct of stress tests, concluding that 25 of the 130 banks analysed revealed, at the date the assets were valued i.e. 31 December 2013, capital shortages totalling 25 th.M.€. However, at the date of the publication of the banking system assessment's results, a number of financial institutions with capital requirements had already carried out recapitalisation operations, reducing the shortfall to 9.7 th.M.€ and the number of banks affected to 13, spread amongst 8 countries. In the case of those banks, the recapitalisation plans were presented in the two weeks which followed the announcement of the results, while the recapitalisation should take place by July 2015. In the adverse scenario – where the strength of banks is tested in a scenario of substantial weakness in activity – the Tier 1 capital ratio falls from 12.2% at the end of 2013 to 8.3% at the end of 2016 (in this scenario, the minimum ratio required is 5.5%).

The asset quality review also included harmonisation standards with regard to the assessment of the poor quality assets and standardisation of the fair value of the net assets, significantly improving the credibility of this exercise when compared with previous years. The asset quality review revealed that the banks should adjust the fair value downwards by 47.5 th.M.€, with the main banks affected by Italian, Greek, German and French. The revaluation of non-performing loans translated into the revision of the respective balance by a further 135.9 th.M.€.

In Portugal, the comprehensive assessment of the banking system covered the three largest banks, with the assessment of Novo Banco being postponed to 2015. In the baseline scenario, the three banks presented capital ratios above the required minimum. In the adverse scenario, Millenniumbcp presented a capital ratio below the required minimum, but is amongst those institutions which at the date of the publication of the results had already carried out recapitalisation operations.

PORTUGUESE ECONOMY

After three years of contraction, the economy began to grow, advancing 0.9% in 2014. Domestic demand started to rebound while the contribution of net exports was negative, in part due to the growth in imports in line with the upswing observed in domestic demand, but essentially by virtue of the deceleration in exports caused by the temporary closure of one of Galp's oil refining units in the early months of the year. Excluding fuel, exports posted 4.3% growth up till December, with very uniform contributions being observed for the various types of goods. The good performance by the services sector – growth rate in the order of 4% – contributed to the continued positive balance on the goods and services trade balance. In this scenario, the economy's financing capacity *vis-à-vis* the exterior strengthened during the year, to be fixed at 2.1% of GDP in 2014. The correction of imbalances is evident in all of the institutional sectors. In the public sector, the provisional information points to a public deficit that is situated below the prescribed target of 4%, while Public Debt stands at 128.7% of GDP, up slightly relative to the preceding year (128%).

GDP growth

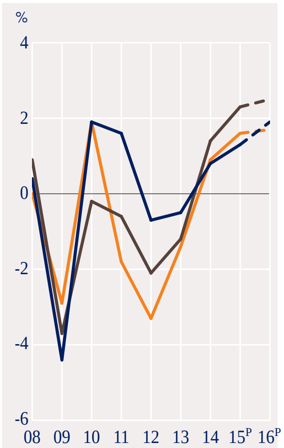


Chart 2

— Portugal
— Spain
— EMU

Source: European Commission, Winter 2014 forecasts.

Current and capital balance as % of GDP

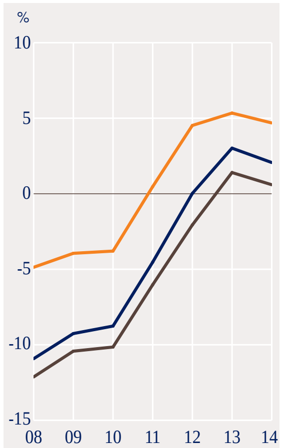


Chart 3

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

Source: Bank of Portugal.

The Economic and Financial Assistance Programme terminated in May. During the course of the year, the Treasury resumed in a regular manner the issuance of long-term public debt, placing this with a diversified spectrum of investors. The improvement in funding conditions during the year enabled Portugal to constitute a liquidity cushion of 12.4 th.M.€. Already in 2015, the Treasury has issued 2 th.M.€ of 30-year debt.

The average inflation rate was situated at -0.3% in 2014. Besides the weakness of domestic demand, inflation's behaviour reflects the steep fall in the oil price and the competitive gains obtained in recent years. This scenario should boost households' purchasing power, thereby underpinning consumption.

The labour market trended satisfactorily, with the unemployment rate easing to 13.4% in December (provisional data), down 1.8 percentage points on the same period of 2013. This improvement is partially explained by improved employers' sentiment, as well as resulting from the methodological alterations associated with the inclusion of data from the 2011 census and the implementation of various programmes aimed at stimulating the contracting of workers. In this scenario, the prospects are that the pace of the job market's recovery could moderate during the course of 2015.

Scenario for 2015

The European commission estimates that the Portuguese economy's growth rate will accelerate to 1.6% in 2015. This outlook is founded on the prospect that external demand will return to contribute positively to growth, also benefiting from resumption of fuel exports to normal levels. For its part, the contribution from domestic demand shall remain positive. The fact that the prospects for the oil price point to it remaining subdued – the IMF estimates that the simple average of the main benchmark prices will be situated at 50.9 dollars a barrel in 2015, which compares with 96.3 dollars / barrel in 2014 –, should be conducive to a positive trend in households' disposable incomes, at the same time reducing the business sector's operating costs, as well as translating into an increase in consumption and investment.

Financial system

The process involving the financial sectors' deleveraging continued in 2014, with the loans / deposits ratio having dropped to 114.4% in June 2014. This performance reflects the fact that loans advanced (including securitisation operations) continue to record contraction rates in the order of 5%, whilst deposits were only marginally higher.

The recourse to the ECB for funding diminished throughout 2014, to be situated at the end of the year at 31 th.M.€, down 11 th.M.€ on the 2013 figure, equivalent to a 26% year-on-year decline, which compares with the 24% drop for the Eurosystem as a whole. Long-term funding operations represent 75% of the total recourse of Portuguese banks to the Eurosystem.

Loans

In 2014, loans advanced to residents fell by around 5.5% in annual average terms, 1 percentage point less than a year earlier. The contraction in loans was common to all sectors, with special mention of loans granted to non-financial companies which presented a contraction rate of about 7.5%. It must be noted however that the rate of lending contraction slowed during the year, suggesting a stabilisation. The new liquidity-supply operations by the ECB directed at injecting dynamism into the loans market could be a factor explaining this situation. Nevertheless, this aggregate is also very dependent on the trend in economic agents' confidence.

Deposits

The deposits of the non-financial private sector rose 1.4% in annual terms during 2014, by virtue of the 5% increase in the placements of non-financial companies; individuals' investments rose by a mere 0.6%.

Evolution of loans in Portugal

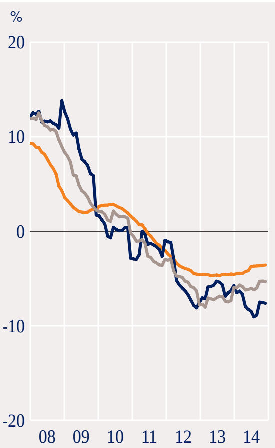


Chart 4

- Individuals
- Companies
- Total lending

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

Trend in deposits in Portugal

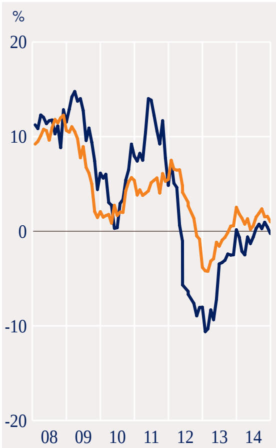


Chart 5

- Portugal
- EMU

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

Financial markets

The financial markets were affected by the permanence / reinforcement of the ultra-expansionist stance of the major central banks, as well as by the appearance of divergences in the tempo of activity in the Anglo-Saxon and Euro-zone economies. In the latter, fears of the materialisation of a deflationary environment also reverberated in the behaviour of the principal markets.

In the currency market, the dollar benefited from the divergence in the economic cycles. After reaching a peak of 1.3992, the EUR / USD fell to 1.20 at the end of the year, which represents a depreciation of roughly 15% by the single currency. In the opening months of 2015, the trend became more pronounced, with the EUR / USD rate dropping to the lows of 2003 (1.12). The euro lost 7% against the pound sterling last year at the same time that the strengthening of the British economy translated itself into expectations that the Bank of England will be the first to embark on a cycle of interest rate hikes.

On the interbank market, the Euribor rates fell sharply, a reflection of the ECB's monetary policy. After registering an upward movement in the first four months of the year, reaching a high of 0.347% in April, the 3-month Euribor rate eased to 0.078% at the end of the year. The decline in the marginal rates on deposits to -0.2%, reflected itself in the behaviour of the one-week Euribor rate which has been situated in negative territory, closing the year at -0.015%.

In the USA, the signs that the fed-funds rates would remain at levels close to zero was reflected in the very stable behaviour of the dollar Libor. Indeed, the 3-month dollar Libor began the year at 0.24% and ended at 0.25%.

The public debt market witnessed a continuous drop in the yields of the key benchmark, which in the case of the USA runs counter to the more positive macroeconomic landscape, while in Europe, it mirrors the downswing in activity and falling prices. The European economy's greater debility was reflected in the widening of the differential between the US Treasuries and the Bund, which at the end of the year was situated at 163 basis points, 53 basis points higher than at the start of the year. At the end of the year, the yields remained close to their lows. In the North American market, the rate of return on the 10-year note varied between an interval of 2.06 and 3.03%, with the minimum being observed in the last quarter of the year. In the Euro zone, the movement was identical, but considerably more pronounced bearing in mind that the stagnation in economic activity was accompanied by the risk of the materialisation of a period of deflation and because the ECB signalled its intention to use all the instruments at its disposal to inflate the economy. The German 10-year bund traded at an interval of between 0.54 and 1.94% during the year, standing at the minimum levels observed concentrated in the final quarter of the year.

In the periphery sovereign-debt markets, there was an appreciable drop in the respective yields during the year, in large part reflecting the compression of the risk premiums demanded *vis-à-vis* the German benchmark. Considering the 10-year public debt, a fall of 136 basis points (bp) was observed on the premium demanded for Portugal, more than 80 bp from Spain, more than 60 bp from Italy and more than 90 bp from Ireland. Greece was the only exception, reflecting the outbreak of political uncertainty at the end of the year. The downward movement in spreads and, consequently in yields, was influenced by the corrections of existing imbalances, namely from the standpoint of public and external deficits, but also by the search for returns against a backdrop of low interest rates on the more secure assets. Investors' greater appetite for the acquisition of those countries' debt was reflected in the increased capacity for debt placement at more attractive prices.

Evolution of reference rates

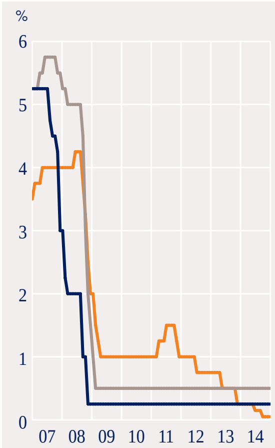


Chart 6

— ECB
— BoE
— Fed

Source: Central banks / Thomson Reuters.

Net financing with ECB in the Eurosystem

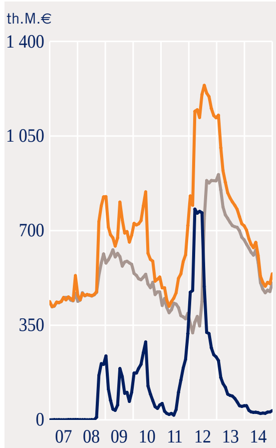


Chart 7

— Net loans
— Deposit facility
— Gross financing

Source: ECB.

10-year sovereign debt
Yield

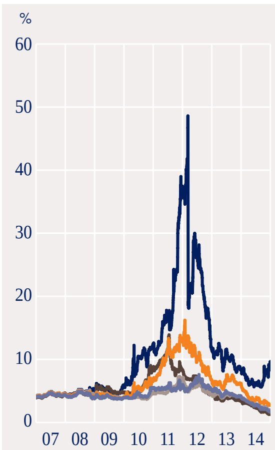


Chart 8

— Greece
— Ireland
— Italy
— Portugal
— Spain

Source: BPI and Reuters.

Corporates and financials
Credit risk premiums

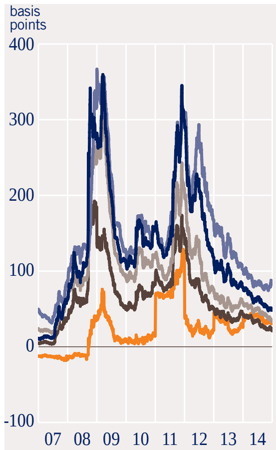


Chart 9

— Financials
— BBB
— A
— AA
— AAA

Source: Credit Suisse, Bloomberg.

Equities market

Global overview

2014 was marked by the uncertainty surrounding the tapering of the ultra-expansionist monetary policy in the USA and by the possibility of large-scale buying of public debt on the part of the European Central Bank (or respective national banks). Accordingly, 2014 was a year of widespread declines in the yields of the periphery countries, with the exception of Greece, which landed up suffering from the political uncertainty at the end of the year. In this context, the key Stoxx Europe 600 stock index closed the year with a gain of 4%, whilst the S&P500 – principal North American stock market index – ended the year with a rise of 11%.

Portugal and Spain – secondary market

In Portugal, the benchmark PSI-20 index closed 2014 with a 27% drop. The resolution of BES and the 71%, 40%, 32% and 26% declines in the prices of Portugal Telecom, Jerónimo Martins, BCP and Galp, respectively, were the chief reasons behind this performance. In Spain, the IBEX 35 index advanced 4%, with the shares of Jazztel and Red Eletrica posting gains of 61% and 58%, respectively. Trading volumes climbed by 34% in Portugal to 37 th.M.€ and in Spain by 23% to 776 th.M.€. fruit of the volatility noted in the year. The increases in the volumes traded in Portugal and Spain outpaced that of the global indices Stoxx Europe 600 and S&P 500 (20% and +14%, respectively).

Portugal and Spain – primary market

The Iberian primary market saw a meaningful increase in activity in 2014, fundamentally in the first half of the year.

After the success of the CTT privatisation (527 M.€) still in December 2013, the POS of ES Saúde (149 M.€) took place in February 2014. In Spain, the highlights were the POS of Applus (1 100 M.€), E-Dreams (376 M.€) and Logista (471 M.€) together with the operations related to the real estate sector (LAR, Hispania and Axia Real Estate) totalling 1 260 M.€.

2014 saw the realisation of various capital increases in companies listed on the Iberian market. In Portugal, there were 4 such operations, amongst which the capital increases of BCP (2 242 M.€) and BES (€ 1 045 M.€), followed on a smaller scale by Banif (139 M.€) and Sonae Industria (112 M.€).

In Spain, the number of recapitalisation operations was also noteworthy (6), and included FCC (1 000 M.€), BBVA (2 000 M.€) and Colonial (1 263 M.€).

In the privatisation area, the main activity involved the sales of the State's remaining stakes in REN (11%, 157 M.€) and in CTT (31.5%; 343 M.€).

Finally, in terms of convertible bond issues 4 operations were recorded in 2014 (vs. 9 operations in 2013), all of them in Spain.

Equity indexes' evolution

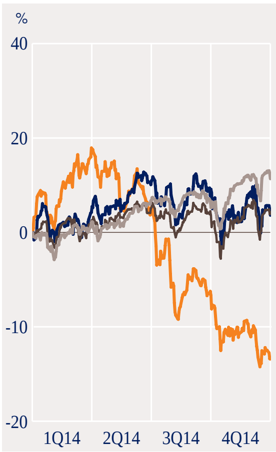


Chart 10

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

Source: Bloomberg.

Turnover
Secondary market

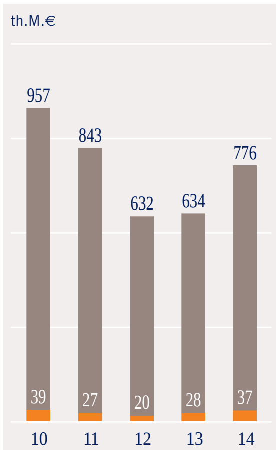


Chart 11

■ IBEX 35
■ PSI-20

Source: Bloomberg.

ANGOLAN ECONOMY

Economic activity

According to new projections of the corrective State General Budget for 2015, Angola's economic growth is expected to have decelerated to around 4.7% in 2014, after posting robust growth in 2013, estimated to have been roughly 6.8%. This performance resulted essentially from the contraction in the oil and gas operations, due to problems of a technical nature that resulted in the paralysation of production at certain wells at the beginning of the year. Accordingly, oil-related GDP contracted by around 2.6% in 2014. Simultaneously, non-oil GDP is expected to have decelerated in 2014 to 8.2%, against 10.9% growth in 2013. Indeed, despite the drive towards diversification, the Angolan economy's behaviour continues to be highly dependent on revenues from the oil sector which in 2014 were penalised by the plunge in oil prices on the international markets. However, it is worth noting the fact that the weight of non-oil activities on Angola's GDP has behaved favourably in the past five years, representing in 2014 more than 50% of GDP.

The Angolan government projects 6.6% economic growth for 2015, a scenario that is not without risk bearing in mind the behaviour of the crude-oil price. The oil and gas sector is expected to recover (+9.8%) whereas non-oil activities should decelerate (+5.3%). In the first case, the sector should benefit from the overcoming of the technical obstacles and the entry into service of new exploration projects. In the case of the non-oil sector, the lacklustre performance should be explained by the slowdown in the vast majority of activities, including the agricultural sector (with 7.9% growth in 2015 when compared to the +11.9% in 2014), manufacturing (+6.8% vs. +8.1% in 2014), construction (+6% vs. +8% in 2014) and services (+4% vs. +8% in 2014).

Real GDP growth in Angola

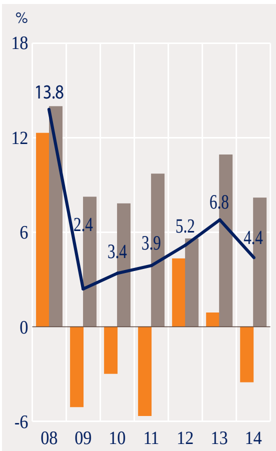


Chart 12

Foreign exchange reserves

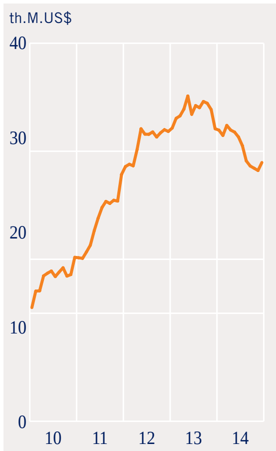


Chart 13

- Oil sector
- Non-oil sector
- Total

Source: Angolan Central Bank (BNA).

Economic indicators and forecasts

	2010	2011	2012	2013	2014[E]	2015[F]
Real Gross Domestic Product growth (yoy, %)	3.4	3.4	5.2	6.8	4.7	6.6
Oil sector	(3.0)	(5.6)	4.3	(0.9)	(2.6)	9.8
Non-oil sector	7.8	9.1	5.6	10.9	8.2	5.3
Oil production (millions of barrels / day)	1.76	1.65	1.73	1.72	1.66	1.83
Price of Angolan oil (average, USD / barrel)	77.8	108.7	111.6	107.7	104.0	40.0
Consumer Price Index (y-o-y change, end of period)	15.33	11.39	9.02	7.69	7.48	9.0
Fiscal balance (% of GDP)	5.8	12.2	9.3	3.0	3.7	(7.0)
Non-oil primary fiscal balance (% of non-oil GDP)	(41.3)	(48.2)	(55.5)	(48.3)	(44.2)	(17.4)
Net foreign exchange reserves (in thousand millions of USD, end of period)	17.3	26.1	30.6	30.9	26.9	19.3
Average exchange rate (AKZ / USD)	91.9	94.0	95.4	96.6	98.3	112.4

Source: IMF, BNA, INE, Angolan Ministry of Finance. E – estimated; F – Forecasts of the Finance Ministry.

Table 4

External sector

The trade surplus decreased during the year given that the drop in the oil price led to a fall in export revenues, at the same time as the costs of imports needed to satisfy domestic demand rose appreciably as a consequence of the weaker kwanza. According to the IMF's estimates, it is expected that in 2014 the trade surplus will decrease to 29.6% of GDP, compared with a balance of 33.6% of GDP in the preceding year.

After attaining a historical high in the middle of 2013, net foreign reserves have been declining, registering a 12.2% fall in December 2014 relative to the same period the previous year, to be situated at 27.4 th.M.US$ (according the BNA data). Besides a transfer of 1.5 th.M.$ to the Angola Sovereign Fund, the fall in international reserves also reflects the lower oil export revenues. In parallel, the kwanza continued to depreciate against the dollar, although the exchange rate had remained stable during the first six months of the year.

Public accounts

According to latest estimates of the Ministry of Finance, the 2014 budget deficit should be situated at 3.1% of GDP, compared with the previously budgeted deficit of 4.9%. Oil and gas taxes continue to represent a very significant percentage of fiscal receipts, although the tax base is now much broader and increasingly covers non-oil activities. The revenue from oil taxes (which account for about 70% of total fiscal receipts) should register a decrease of some 18% relative to that collected in 2013, reflecting the lower production and oil prices. In parallel, there has been a trend towards an increase in the weight of non-oil taxes (28% vs. 20% in 2013), the receipts of which should increase by around 13% relative to that collected in 2013.

In light of the significant drop in crude oil prices since the end of 2014, sliding in January to lows of around 45 US$ / barrel, the government presented at the start of this year a corrected State Budget. The new document sets a slightly lower budget deficit, roughly 7% of GDP (7.6% in the initial SGB) but still above that registered in 2014 (3.1%), a reflection of the decrease of some 65% in oil revenues, based on an assumed average price per barrel of 40 US$. On the expenditure side, it is estimated there will be a reduction in public spending of roughly 25% relative to 2014. The cut in spending should affect in part the goods and services headings and current transfers (-37% relative to 2014), but above all investment spending, where the estimated cut-back is 56% relative to 2014. Even so, in terms of sectorial breakdown, the main concern continues to be focused on the allocation of considerable sums for the social sectors, namely education, health and social protection.

According to official estimates, the public debt should increase to around 45.8% of GDP in 2015, compared with the 31.2% ratio of GDP in 2014, thus increasing the recourse to external financing.

Placements of Central Bank Securities and Treasury Bills

Placement interest rates

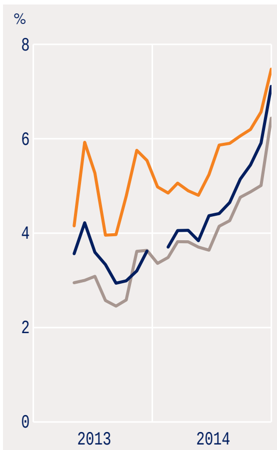


Chart 14

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

Amounts placed

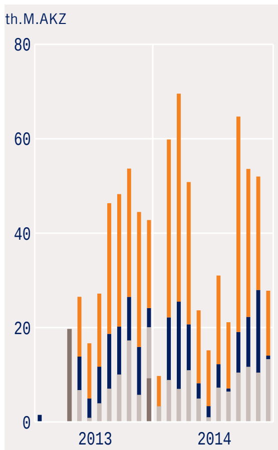


Chart 15

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

Source: Angolan Central Bank (BNA).

Inflation and interest rates

Monetary policy in 2014 remained accommodative, but without this jeopardising the objective of price stability (i.e. keeping the inflation rate within the target bands of 7% to 9%). The BNA benchmark rate was fixed at 9% at the end of 2014, 0.25 p.p. lower than that registered at the end of 2013. In the meantime, this decline was not sufficient to avert a rise in the LUIBOR Overnight rate which at the end of 2014, was situated in the vicinity of 5.5%, after having fluctuated below 3% midway through the same year. For its part, the rate for maturities of 3 to 12 months remained relatively stable throughout the year.

In December 2014, the year-on-year inflation rate was situated at 7.5% (7.5% in January 2015), after having attained a historical low of 6.9% in June. Despite the inflation rate having recorded an upward trajectory in the second half of the year, it is important to underline that the levels observed continue within the bands fixed by BNA and well below the historical double-digit values.

Banking sector

In 2014, total lending to the economy expanded by a year-on-year 15% up until December, which compares with the preceding year's 14% growth. The expansion in lending resulted from an increase in loans to the private sector, which grew by a year-on-year 16% in December, whilst loans to the public sector, (excluding central government) suffered a 17% contraction. At the same time, the weight of loans in foreign currency on the total of credit advanced decreased to 29% in December 2014, versus a weight of 36% registered in the same period of 2013.

Deposits rose by about 16% in December 2014 relative to the same period of the previous year. The share of deposits in foreign currency in total deposits fell from 43% at the close of 2013 to 35% in December 2014.

Loans' evolution

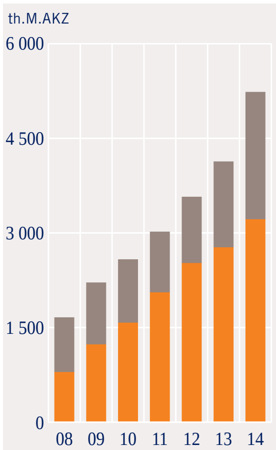


Chart 16

- Total loans
- Loans to private sector

Deposits' evolution

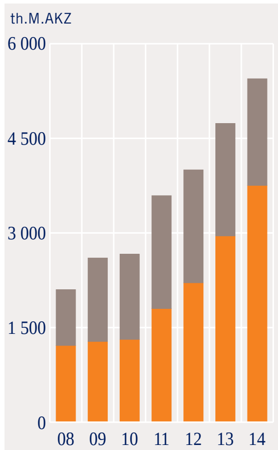


Chart 17

- Total deposits
- Deposits in national currency

Source: Angolan Central Bank (BNA).

MOZAMBIQUE ECONOMY

Economic activity

The macroeconomic climate in Mozambique remained favourable in 2014, with annual GDP growth remaining robust at above the 7% mark during the first three quarters. Economic activity continues to be propelled essentially by the dynamism generated by the megaprojects and the development of infrastructures, with special reference to the manufacturing sector's contribution to GDP growth. The primary sector recovered when compared to the contraction noted in the preceding year due to climatic factors. This sector still accounts for around 1/3 of the economy and therefore makes an important contribution towards the country's growth. Economic activity resisted relatively well to hostilities on the political front, which hopefully have now been overcome with the presidential election. Accordingly, it is expected that Mozambique will continue to assert itself as one of the main expanding economies of Sub-Saharan Africa, with growth rates oscillating around 7 or 8%.

External sector

The external accounts continue to evidence strong imbalances *vis-à-vis* the need to resort to external savings in order to finance investments in the sectors devoted to the exploitation of natural resources, even though the bulk of this investment continues to be funded by Direct Foreign Investment. The deficit on the external accounts should persist during the period in which the construction of natural-gas liquefying units is in progress, and until a start is made to natural gas exports. Over the medium term, the export revenues derived from other projects which are now at a more advanced stage, namely in the coal sector, could contribute positively to alleviating the trade deficit. During the first half of 2014, whilst the exports of electric power and gas behaved positively, the revenue from coal exports continued to be affected by logistical constraints and the lower prices on the international markets. On the other hand, imports also recorded a decline, underpinning a decrease in the current account deficit during this period.

Public accounts

The public finances situation deteriorated in 2014, with the deficit projected to climb to -10.6% of GDP[1] against the -2.8% of GDP the previous year.

The year was marked by the broadening of the fiscal base owing to the inflow of extraordinary receipts arising from the gains related to the sale of participations in the gas consortia. However, this increase in receipts was accompanied by higher costs, including the increase in public investment and also the measures of a permanent nature, such as salary rises. The manner in which the deficit has been financed has also changed, with increasing recourse to non-concession loans in line with the retraction in donations. Public debt remains at sustainable levels and the authorities have reiterated their commitment to adopting a more restrictive fiscal policy as from 2015.

Financial sector, deposits and loans

Despite the slight depreciation against the American dollar, the metical appreciated against the rand, which contributed to maintaining a stable inflation trajectory through the lower cost of imports. The benign behaviour of the rise in general price levels, with inflation rates closing the year below the 2% mark facilitated the Mozambique Central Bank's decision to cut the rate applied to the Permanent Supply Facility by 75 basis points (to 7.5%), with the object of stimulating the expansion of credit to the economy. The rate of credit expansion to the private sector in 2014 remained robust at around 28% between January and December, versus the 29% growth posted in the same period of 2013.

Real GDP growth in Mozambique

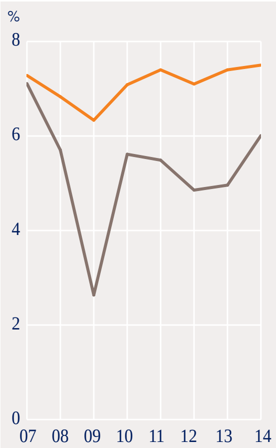


Chart 18

— Mozambique
— Sub-Saharan Africa

Net foreign direct investment

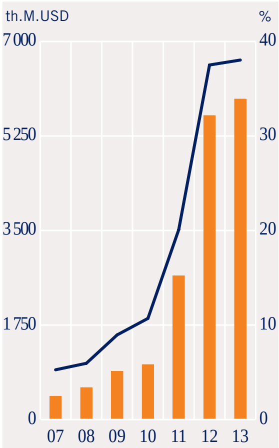


Chart 19

— % of GDP

Source: International Monetary Fund (IMF) and UNCTAD.

1) Source: IMF, Country Report 15 / 12.

Domestic commercial banking

INDIVIDUALS AND SMALL BUSINESS BANKING

Individuals and Small Business Banking handled 1 676 thousand accounts at the close of 2014, being responsible for a Customer Resources portfolio of 23 680 M.€ and a Loans and Guarantees portfolio amounting to 13 323 M.€ during the year, 123 thousand new accounts were opened 4.7% more than in 2013.

At the end of 2014, Individuals and Small Business Banking's physical distribution network was composed of a total of 546 branches, and 39 Investment Centres catering for high net-worth Clients or those with potential to accumulate financial assets.

CUSTOMER RESOURCES

At 31 December 2014 Individuals and Small Business Banking's the total Customer resources were 23 680 M.€, which corresponded to a 6.2% increase relative to 2013.

Customer resources Amounts in M.€

	2013	2014	Δ%
Sight deposits	3 535.9	4 191.7	18.5%
Time deposits	11 174.6	10 572.6	(5.4%)
Bonds and structured products[1] placed in Customers	697.0	582.9	(16.4%)
PPR[2]	1 089.9	1 208.2	10.9%
Insurance capitalisation[3]	1 695.9	3 257.8	92.1%
On-balance sheet resources	**18 193.3**	**19 813.2**	**8.9%**
Unit trust funds[3]	1 146.2	1 088.6	(5.0%)
PPR[4]	634.5	646.8	1.9%
Off-balance sheet resources	**1 780.7**	**1 735.3**	**(2.5%)**
Total Customer Resources	**19 973.9**	**21 548.5**	**7.9%**
Corporate bonds held by Customers	1 004.8	859.9	(14.4%)
Other Customer securities[5]	1 317.6	1 272.0	(3.5%)
Other Customer resources	2 322.4	2 131.8	(8.2%)
Total	**22 296.4**	**23 680.3**	**6.2%**

Table 5

On-balance sheet resources posted significant growth of +8.9% (+1 619.9 M.€).

Salient aspects:

- the 655.7 M.€ increase in the sight deposits portfolio;
- 602 M.€ decrease in the time deposits portfolio. BPI continued to gradually reduce the interest paid on time deposits, narrowing the difference *vis-à-vis* the key market benchmark rates (Euribor);
- 1 562 M.€ expansion of the capitalisation insurance portfolio.

Amongst the noteworthy initiatives realised in 2014 were the launching of Indexed Deposits and the new unit-linked products, BPI Multi-Soluções, available in four specific versions according to the risk level and the target segment (residents or non-residents).

Total Customer resources, including off-balance sheet resources, climbed by 7.9% to 21.5 thousand M.€.

Total Customer resources taken by BPI, to which must be added the bonds of non-financial companies and placements in third-party investment and savings products held in Customers' portfolios, totalled 23.7 th.M.€ at the end of 2014.

CUSTOMER LOANS

At 31 December 2014, Individuals and Small Business Banking's Customer loans and guarantees portfolio amounted to 13 323 M.€, 3.2% lower than the 2013 figure. Loans to individuals recorded a decrease of 435 M.€ (-3.5%), which chiefly reflects the 3.2% contraction of the mortgage-loan portfolio. Loans to small businesses were up 6 M.€ in 2014, which compares with a 158 M.€ decline noted in the preceding year.

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

Customer loans and guarantees Amounts in M.€

	2013	2014	Δ%
Loans to individuals			
Mortgage loans[1]	11 386.5	11 022.1	(3.2%)
Personal loans[2]	601.3	554.0	(7.9%)
Credit cards[3]	163.5	165.3	1.1%
Car finance	129.5	104.1	(19.6%)
Loans to individuals	**12 280.8**	**11 845.4**	**(3.5%)**
Loans to small businesses			
Commercial loans[4]	1 037.1	1 070.3	3.2%
Equipment leasing	40.2	38.0	(5.3%)
Property leasing	279.2	254.2	(9.0%)
Factoring	4.9	4.9	(-0.2%)
Loans to small businesses	**1 361.4**	**1 367.4**	**0.4%**
Total loan portfolio	**13 642.2**	**13 212.8**	**(3.1%)**
Guarantees and sureties	121.6	110.3	(9.2%)
Total	**13 763.8**	**13 323.2**	**(3.2%)**

Table 6

Individuals and Small Businesses Banking

Loans and guarantees

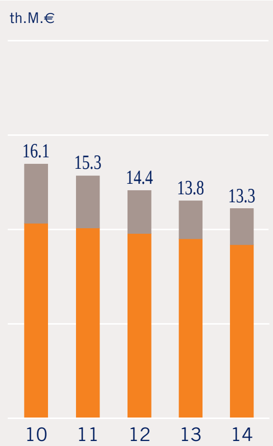


Chart 20

Other loans and guarantees
Mortgage loans

Customer resources

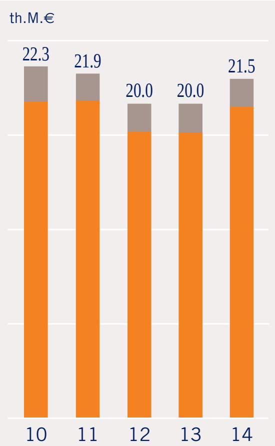


Chart 21

Off-balance sheet
On-balance sheet

MORTGAGE LOANS, PERSONAL LOANS AND MOTOR CAR FINANCE

The mortgage-loans portfolio contracted by 3.2%, to 11 022 M.€ at the end of 2014. BPI's market share in terms of balance on the mortgage-loans portfolio was situated at 10.5% (10.4% in December 2013[5]).

The personal loans portfolio was 8% lower, standing at 554 M.€ at the end of 2014. It is worth highlighting the positive trend in the sales promotion of non-financial products which benefited from several campaigns realised in conjunction with prestigious brands.

The motor car financing advanced to Individuals and Small Business Banking Customers totalled 104 M.€ at the end of 2014. Despite the portfolio's reduction relative to 2013, it is worth mentioning that new business contracted in 2014 rose by 34.2%, in line with the recovery and buoyant growth in light passenger vehicle sales and the attendant higher demand for credit.

COMMERCIAL LOANS, LEASING AND FACTORING

BPI maintained as priority segments its involvement in the export and agricultural sectors and, generally, focused on Customers with good risk indicators.

A number of important external initiatives centred on those strategic segments, with emphasis on the events 'BPI Iniciar Exportação' (Starting up Exports), directed at companies which are embarking on internationalisation processes via exports and workshops with the theme "How to present projects to financiers?", and which form part of the Bank's initiatives aimed at fostering innovation and entrepreneurship.

During the course of 2014, BPI maintained a prominent position in the principal programmes launched by the Government and earmarked for small and medium-sized companies seeking financing under more competitive terms.

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

As regards the PME Crescimento 2013 and PME Crescimento 2014 (SME Growth) credit lines, BPI played an active role, as evidenced by:

- the contracting within the ambit of the PME Crescimento 2013 and PME Crescimento 2014 lines of 3 590 operations with an overall value of more than 138 M.€, with Customers of the Individuals and Small Business Banking network;
- in the general aggregate of the PME Investe / Crescimento credit lines, BPI contracted 25 750 operations totalling 2 286 M.€ which enabled it to retain leadership with a market share of 18.8%.

Insofar as the PME Líder and PME Excelência status is concerned, BPI continued to assume a sustained leading position, achieving at the close of 2014 market shares of 29% and 38%, respectively.

CREDIT AND DEBIT CARDS

At the end of 2014, Banco BPI had in circulation 518 thousand credit cards, which represents a 2.8% decline relative to December 2013. Billing was up 1.8% to 983.1 M.€ while the credit associated with those cards rose by 1.1%.

Banco BPI closed the year 2014 with 1 118 thousand debit cards, which represented a 2.2% increase relative to December 2013. The accumulated billing relating to those cards climbed by 5.3%, to be situated at 6 103 M.€.

Credit and debit cards
Selected indicators

	2013	2014	Δ%
Credit cards			
No. of credit cards at the end of the year (x th.)	533.0	518.3	(2.8%)
Billing (M.€)	966.0	983.1	1.8%
Loan portfolio (M.€)[1]	163.5	165.3	1.1%
Debit cards			
No. of debit cards at the end of the year (x th.)	1 093.5	1 117.7	2.2%
Billing (M.€)	5 795.7	6 103.3	5.3%

Table 7

INSURANCE

In terms of the strategic partnership with Allianz Portugal, Banco BPI commercialises a diversified range of insurance products tailored for individuals, companies, sole proprietors and the professional classes.

In overall terms, taking into account isolated-sale and credit-linked insurance policies, BPI had a portfolio of some 718 thousand policies. The associated commissions amounted to 40 M.€ in 2014, which represented annual growth of 2.8%.

During 2014, isolated-sale insurance grew by 6.5% in terms of the number of policies to 278 thousand as a result of the extension of the sale of those insurance products to the "Affluent" Customers segment, the continued focus on the dynamic sale of business insurance (small and medium sized companies, sole proprietors and professional people) and the enlarged range of specialised insurance (Hunting and Guns, Pleasure Boats, Health – Saúde 55 Mais, Motor vehicle Fleets, Condominiums and Commodities).

NON RESIDENTS

The Non-Residents Division supports Individuals and Small Business Banking in the linkage to Portuguese emigrants and descendants not residing in Portugal.

Integrated in this structure is the French subsidiary which has 11 branches and 1 representative office. The Non Residents Division also has 8 representative offices and 1 information office in 8 countries for the purpose of serving the local communities.

At the end of 2014, the non-resident segment of Individuals and Small Business Banking was responsible for a portfolio of resources with securities of 4 875 M.€ (+8.2% relative to 2013) and for 493 M.€ of loans[1] (-1.4% relative to 2013), representing 21% of resources and 3.7% of Individuals and Small Business Banking loans.

The French subsidiary had at the end of 2014 a resources portfolio of 212 M.€ (-0.4% relative to 2013) and a Customer loans portfolio of 84 M.€ (+0.9% relative to 2013).

1) Outstanding owed by Individuals and Small Business Customers and non Customers.
2) Does not include the French branch.

HOMEBANKING

BPI offers its Customers the following homebanking services: BPI Directo, BPI Net, BPI Net Empresas, BPI Net Mobile, Apps BPI, as well as stock brokerage services BPI Online and BPI Net Bolsa. The greater adherence to homebanking services has permitted a progressive transfer of transactional activity at the Branches to those channels, freeing the commercial network to perform higher value-added functions.

BPI solutions in the Mobile Banking area were reinforced, amongst which the following launches:

- BPI App – iPad and the App BPI Empresas – iPad;
- App BPI Poupança, solution aimed at supporting and simplifying the setting up of savings;
- App BPI Prémio, directed at the holders of the Cartão BPI Prémio card.

It should also be noted that in 2014 there were 100 thousand new downloads of Apps BPI, with approximately 300 thousand new downloads since the launch of these applications.

As concerns Corporate Internet Banking, mention is made of the creation of a new area at BPI Net Empresas which groups all the operations relating to payments to Employees, and the reinforcement of payment operations by file, available at BPI Net Empresas.

Homebanking services
Selected indicators

	2013	2014	Δ%
BPI Directo / Net + BPI Net Empresas			
Active subscribers (in thousands)	1 054	1 128	7%
% of the Banks' total consultations (account-balances and activity)[1]	77%	76%	(1 p.p.)
% of the Banks' total transactions[1]	91%	94%	3 p.p.
BPI Directo / Net			
Active subscribers (in thousands)	940	1 000	6%
BPI Net Empresas			
Active subscribers (in thousands)[2]	114	128	12%
Online brokerage			
Market share[3]	23.6%	23.8%	0.2 p.p.

Table 8

PRIVATE BANKING

At the end of December 2014, BPI Private Banking's business volume climbed to 5 329 M.€, which means a year-on-year improvement of 12.6%. Assets under management and advisory mandate in the amount of 4 690 M.€, posted a 15.9% increase relative to December 2013. The loan portfolio stood at 168 M.€, corresponding to a 16% decline when compared with December 2013.

Discretionary Management solutions rose by 64% when compared with the same period last year while the signing up of new Customers in 2014 represented 15% of the initial Customer base.

With interest rates drawing ever closer to zero in Europe and escalating market volatility, priority was given to the presentation of gradual diversification solutions for investment portfolios from the risk and maturity standpoint, considering the Asset Allocation recommended for the different risks profiles and taking advantage of opportunities in specific products or markets.

BPI's Private Banking service was rated for the 5th time since 2008 as the "Best Local Private Bank" by the Euromoney Private Banking Survey 2014. In addition to this award, it was also rated as the "Best Private Bank in Portugal" in the Global Private Banking Awards 2014, a prize introduced for the first time in Portugal by the magazines "PWM – Professional Wealth Management" and "The Banker", both published by the Financial Times Group.

Private Banking
Selected indicators

Amounts in M.€

		2013	2014	Δ%
Discretionary management and advisory services	*1*	4 046	4 690	15.9%
Stable investments under custody	*2*	487	470	(4%)
Loans portfolio	*3*	200	168	(16%)
Business volume *[= Σ 1 to 3]*	*4*	**4 733**	**5 329**	**12.6%**

Table 9

1) Total of consultations and transactions using homebanking services as a percentage of the Bank's total. Does not include ATM.
2) Does not include Small Business Customers who utilise the BPI Net service. Those Customers are taken into consideration in the BPI Net service.
3) The figure for 2014 refers to November.

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

The year 2014 was a turning point for the Portuguese economy. GDP expanded 0.9% by volume (vs. -1.4% in 2013), with this slight improvement attributable to domestic demand (which contributed to a GDP variation of 2.0 p.p vs. -2.4 p.p. in 2013) and, to a lesser degree, to Investment. The contribution from net external demand was -1.1 p.p. (1.0 p.p. in 2013), reflecting a more intensive growth in the imports of goods and services relative to those of exports.

This actual trend ran counter meanwhile to the initial expectations, which pointed to GDP growth underpinned by exports. This scenario ended up influencing companies' investment decisions and, consequently, impacting on the demand for bank lending.

In this more benign climate, although not backed by the anticipated business dynamics, BPI consolidated its strategy of favouring proximity and supporting Portuguese companies:

- it continued to assume a prominent position in the principal public programmes and statutes: PME Investe / Crescimento, Mutual Guarantee, PME Líder and PME Excelência;
- launched in December 2014 the first line in Portugal within the ambit of Horizon 2020: the BPI-FEI Inovação II line of 200 M.€, destined to support innovative companies;
- it was particularly active in the placing of the JESSICA Funds, which motivated an increase in the amounts initially attributed for BPI's management (initially earmarked for the Northern and Alentejo regions) to 72 M.€ (extension to the Central region).

BPI's proximity to companies continued to be recognised in market surveys, as evidenced in the 2014 edition of DATA E (Market Survey, 2014) is the fact of BPI occupying 2nd place in the indicator ranking as Principal Bank, Total Penetration, Deposit Taking and Net Banking share.

In risk analysis the Bank maintained its policy of great rigour, in tandem with practices that ensure a permanent accompaniment and monitoring of companies, observing and exceeding the monitoring recommendations prescribed by the regulators.

Corporate Banking, Institutional Banking and Project Finance

Amounts in M.€

	2013	2014	Δ%
Loan portfolio			
Corporate loans	4 049.9	3 654.2	(9.8%)
Large companies	1 702.8	1 419.9	(16.6%)
Medium-sized companies	2 347.0	2 234.3	(4.8%)
Project Finance – Portugal	1 158.4	1 154.7	(0.3%)
Madrid branch	1 555.1	1 306.1	(16.0%)
Project Finance	739.5	634.2	(14.2%)
Companies	815.6	671.9	(17.6%)
Public sector	1 979.1	1 424.7	(28.0%)
Total loan portfolio	**8 742.6**	**7 539.8**	**(13.8%)**
Guarantees	1 692.2	1 546.8	(8.6%)
Resources[1]	**2 518.9**	**2 186.8**	**(13.2%)**
Note:			
BPI Vida	1 725.1	2 005.7	16.3%

Table 10

At the end of 2014, the Corporate Banking, Institutional Banking and Project Finance Customer loans portfolio reached 7 540 M.€, evidencing a decline of 13.8% relative to the end of the previous year. The decline was more pronounced in the Public Sector (-28%) and the Madrid Branch corporate segments (-17.6%).

Resources totalled 2 187 M.€, reflecting a 13.2% decrease relative to December 2013.

Corporate Banking, Institutional Banking and Project Finance

Loans and guarantees

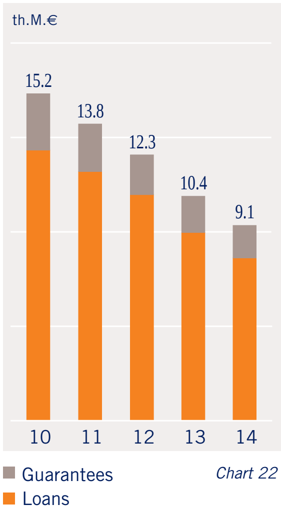


Chart 22

Customer resources

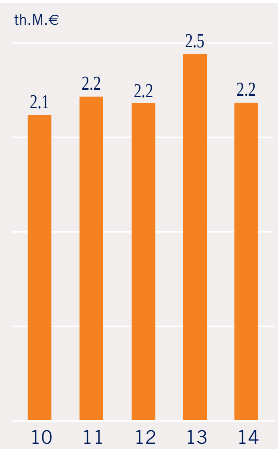


Chart 23

1) Include sight and time deposits.

This trend in resources is influenced by the withdrawal in June 2014 of the 774 M.€ deposit which the IGCP (Agência de Gestão da Tesouraria e da Dívida Pública) kept at the Bank since the close of 2011. Excluding this effect, resources rose by 17.5% in the year.

COMPANIES AND LARGE CORPORATIONS

At the end of December 2014, the Medium-sized Companies and the Large Corporations Customer loan portfolios amounted to 2 234 M.€ and 1 420 M.€, respectively, which correspond to decreases of 4.8% and 16.6% relative to the previous year. It is worth noting however that in the last quarter we witnessed a reversal of the trend in the contraction of the portfolios[1].

In recent years, including 2014, BPI was particularly active in supporting larger-sized companies in the mounting and placing, public and private, of bonds. This strategy permitted ensuring Customers were offered alternative forms of financing, complementary to the granting of direct credit, which were increasingly sought after by larger companies in the context of diversifying funding sourcing.

In 2014 BPI participated as organiser, leader or placer in 12 bond issues with national and international placings on behalf of Large and Medium-sized Companies.

The contracting of factoring, confirming, equipment and real-estate leasing and motor car financing posted expressive growth.

BPI, THE SME BANK

The SMEs play a fundamental role in the national economy and represent a priority strategy in BPI's business approach.

PME Líder and PME Excelência

In 2014, BPI continued to assume a leading position in the attribution of the PME Líder and PME Excelência status.

- For the 6th consecutive year, BPI attained 1st place in the PME Excelência status, increasing its share by 1 p.p. relative to the previous year: 38% of the 1845 companies obtained the PME Excelência status through BPI.
- For the 7th consecutive year, BPI is the bank preferred by SMEs in adhering to the PME Líder status: 2 247 companies (29%) adhered via BPI.

PME Investe / Crescimento lines

Since the launching of the PME Investe / Crescimento (SME Invest / Growth) lines, BPI has attained a leading position, reaching an overall amount contracted of some 2 300 M.€ (data at the end of 2014).

In the PME Crescimento 2014 line, BPI led in the total operations entered into with mutual guarantee companies (Sociedades de Garantia Mútua – SGM), with a 19% share of operations (at the end of 2014).

Mutual Guarantee

In close liaison with the SGM (Norgarante, Lisgarante, Garval and Agrogarante), BPI continued to play an active role in the dynamic promotion of mutual guarantee, attaining leadership in: (i) the number of operations contracted, with a 20% market share and in (ii) the total number of existing operations, also with a 20% market share (at the end of 2014).

Horizonte 2020

After having fully utilised the BPI-FEI Inovação line – the first national credit line within the ambit of the "Risk Sharing Instrument" in the total amount of 160 M.€ – BPI was pioneer in the provision of support under the Horizonte 2020 programme in Portugal.

In this respect, in December 2014, BPI signed the first guarantee agreement in Portugal with the EIF pursuant to the InnovFin facility, earmarked for providing assistance to innovative companies.

This accord falls within the ambit of the launching of the Linha BPI / FEI Inovação II line in the amount of 200 M.€, which is aimed at the financing of investment and working capital needed by innovative firms with less than 500 Employees under competitive terms.

1) The decrease in the porfolios reflects in part the transfer of certain operations, essentially bonds and commercial paper issued by Portuguese companies, to BPI companies responsible for the Bank's asset management.

EIB Credit Line

The 19th global line protocoled with the European Investment Bank (EIB) in the amount of 300 M.€ destined to support SME, was fully drawn down as a result of the financial support given to 1 500 SME projects.

With a view to ensuring the continued provision of support for SME, another protocol was signed in October 2014 for a new line with the EIB – the 20th – for 300 M.€.

JESSICA-BPI credit line

In 2014 BPI was particularly active in the placing of the JESSICA funds (Joint European Support for Sustainable Investment in City Areas), destined for the financing of urban rehabilitation projects.

In light of BPI's proactivity in the placing of funds in the North and Alentejo regions, BPI was selected by the JESSICA Holding Fund Portugal to expand its management activity to Portugal's Central region, which entailed an additional credit facility of 17 M.€ (from 128 to 145 M.€).

At the end of 2014, BPI had already exhausted the allocation of funds for the North, at the same as attaining high placing rates for the funds earmarked for the Central and Alentejo regions.

BPI VAT NOW (BPI IVA JÁ)

BPI IVA JÁ – which permits taxpayers receiving their VAT refunds from the Tax and Customs Authority in advance through the contracting of short-term financing adapted to the requirements of each company – has bolstered BPI's already comprehensive array of treasury products.

My VAT without delay (advertising campaign)

Cross-selling with COSEC

In 2014, BPI maintained a leading role in the placing of COSEC credit insurance policies.

COSEC is the leader in Portugal in credit insurance and via the Euler Hermes network, has an international presence that strongly backs the international activity of Portuguese companies, providing a geographical coverage of more than 50 countries.

BPI actively promotes the placing of credit insurance with the goal of helping companies to mitigate the risks associated with credit sales and to improve the ability to obtain from the Bank solutions designed to collect receivables ahead of due dates.

A policy was launched in partnership with COSEC in 2014 which covers the credit risks especially directed at SMEs with sales turnovers of up to 5 M.€, and which is innovative due to its simplicity – Negócio Seguro PME (SME Secure Business).

This product, which is distributed exclusively by BPI and is specially conceived for the needs of SMEs, complements COSEC's credit insurance options and the additional covers under Garantia + and Garantia ++ (which are aimed at raising the level of Customers' credit cover, above all on the overseas markets).

As part of the partnership with COSEC, and as concerns the placing of credit insurance policies, BPI recorded a 121% rise in the value of premiums generated when compared to the same period of the previous year, being responsible for 43% of the business written from COSEC's new Customers. This excellent contribution, associated with a good retention rate for already existing Customers, enabled BPI to consolidate its share ibn COSEC's total Customer portfolio.

In 2014, BPI Exportação Segura credit insurance, innovative owing to the fact that it covers the risk of default in sporadic operations, (not requiring full cover for invoicing) posted growth of more than 45% relative to 2013.

In the placing of credit insurance involving public programmes (policies outside the OECD), BPI attained a 63% share that enables it to reinforce its support for export firms.

BPI Negócio Seguro PME – Secure invoice (advertising campaign)

BPI, THE EXPORTERS' BANK

BPI offers export firms a comprehensive and competitive product range which covers international trade, financing and credit-risk insurance solutions.

In 2014 two treasury products were launched that are specially tailored for export companies: PME Crescimento 2014 – Crédito Comercial a Exportadoras (Trade Credit for Exporters), which encompasses advances against export shipments (Adiantamento de Remessas de Exportação) and external financing, and BPI IVA JÁ, which includes short-term finance relating to the advance payment against the VAT refund due locally or by other member States of the European Union.

BPI offers in partnership with COSEC exclusive solutions, such as BPI Exportação Segura. This is an innovative credit insurance for export operations, characterised by the fact that it covers the risk of default on sporadic operations, and does not require cover for the total invoiced amounts, Placing of this insurance, which registered growth of more than 45% relative to 2013, enabled BPI to finance exports for new international Customers in more than 30 countries, amongst which Spain, Italy and United Kingdom.

In key markets for national exporters, such as Spain, Angola and Mozambique, BPI developed specific products for supporting investments and exports with major partners in those markets, such as CaixaBank, BFA and BCI.

The partnership with CaixaBank extends to Morocco, Algeria, Turkey and the United Arab Emirates, markets in which through BPI companies can benefit from local knowledge which permits exploiting commercial opportunities, as well as assisting in the management of their export cash flows.

In parallel, partnership accords between BPI, the Bank of China and the Bank of Eastern Asia allowed backing the trade flows of national firms and those of the countries in which those banks operate.

The national companies can rely upon the support of specialist teams who propose the structuring of appropriate solutions tailored to each company's needs. In Portugal BPI specialist units comprise the Spanish Companies Office, the Office for Africa, the Business Development Unit (for more complex projects in Angola), the Mozambique Financial Services Division (financial consultancy and organisation / mounting of structured finance) and the Trade Finance team who cater for companies involved in international trading.

In order to assist companies which are about to embark on exports, seminars were organised entitled "BPI Iniciar Exportação", in partnership with AICEP and COSEC, dedicated to deal in depth with the best practices for hedging international risks. In order to support business in specific markets, "Country seminars" were realised in partnership with chambers of commerce, as was the case of China and Mexico.

In 2014 BPI accompanied some 330 companies in business missions aimed at promoting relations with Portugal, in countries such as Canada, Mozambique, Saudi Arabia, China, Peru, Columbia, amongst others.

As a result of this proximity to import and export companies, BPI's international business volume posted 15% growth in 2014 in Large Corporations and 11% in SME.

In the context of this positive trend, also noteworthy was the performance of export factoring operations which experienced expressive growth relative to 2013 of more than 60%.

BPI, THE AGRICULTURAL BANK

BPI is committed to the development, modernisation and internationalisation of companies in the agricultural and agro-industrial sector.

It offers a number of solutions designed to assist in investment and which are specially structured for the sector's needs.

The most salient include: (i) the PRODER and PROMAR lines, which provide for advance payments against non-repayable subsidies for investment projects approved in terms of the PRODER and PROMAR programmes and their complementary financing; (ii) joint solutions with AGROGARANTE, founded on separate guarantees which permit obtaining credit with maturity periods in tandem with the project's progress; (iii) John Deere solutions for the financing of new and used agricultural equipment, namely tractors, combine harvesters, balers, fodder mowers and sowers.

In treasury management, the Bank offers solutions such as the IFAP Curto Prazo line, designed for the financing of agricultural campaigns, and the BPI / CAP Protocol, which makes provision for advance payments of operating subsidies granted by IFAP (direct assistance).

BPI has been strengthening its positioning in the agricultural and agro-industrial sector in a sustained manner, as borne out by:

- no. 1 in the accumulated total amount of guarantees issued by Agrogarante, with a 23% market share (Agrogarante – Sociedade de Garantia Mútua. Figures up until 31/12/2014);
- no. 1 in the total amount advanced against operating subsidies granted by IFAP and validated by CAP, with an 83% market share (Portuguese Agricultural Confederation); data relating to the 2014 agricultural season with reference to 31/12/2014);
- no. 1 in the total amount financed in terms of the Linha IFAP Curto Prazo line, Agriculture, Forestry and Livestock, with a 69% market share (Institute for the Financing of Agriculture and Fishing). Latest available data relating to the 2013 agricultural campaign, with reference to 31/12/2013).

Under the policy of proximity and support, BPI has sponsored and participated in the sector's principal fairs and initiatives: National Agriculture Fair, SISAB, Colóquio Nacional do Milho, Ovibeja and Agriculture Award.

With regards to the Agriculture Award (a joint initiative of BPI and COFINA, sponsored by the Ministry of Agriculture and the Sea, with the object of promoting, incentivising and rewarding cases of national success) 6 seminars were organised promoting the debate of themes of both national and regional importance for the sector: agricultural potential of the Alqueva, exports and innovation.

The Bank for Agriculture (advertising campaign)

BPI, THE INNOVATORS' BANK

BPI has assumed a policy of supporting innovation and entrepreneurship, which has translated itself into not only the launching of products specially targeted at innovators, but also in backing major initiatives and awards.

Innovative solutions for innovative companies

BPI was pioneer in the placing in Portugal of credit lines dedicated to the financing of innovative companies.

In 2013 it was the first national bank to act in the "Risk Sharing Instrument", having launched the 1st EIF-guaranteed credit line, the Linha BPI-FEI Inovação, in the amount of 60 M.€. Given the line's excellent placing results, BPI reinforced it to 160 M.€.

The first guarantee accord in Portugal was signed in 2014 with the EIF in terms of the InnovFin, within the ambit of Horizonte 2020, destined for supporting innovative companies, in particular SMEs. As already mentioned, the accord contemplates the launching of the BPI / FEI Inovação II line in the amount of 200 M.€, which is earmarked for financing the investments and working capital of innovative companies under competitive conditions.

Awards and other initiatives

BPI has been an associate of COTEC Portugal – Associação Empresarial para a Inovação (COTEC) since its formation in 2003, having played an active role in this Association's creation.

COTEC's mission is promoting increased competitiveness amongst companies located in Portugal, through the development and dissemination of a culture and the practice of innovation, as well as know-how resident in the country.

In partnership with COTEC, BPI supports initiatives which encourage Portuguese companies to become more modern and competitive, with emphasis on SMEs. Amongst these initiatives, special mention is made of the sponsorship of the PME Inovação COTEC-BPI Award, the promotion of workshops entitled "SMEs and Innovation", directed at companies and potential Customers of the PME Inovação network, and assistance in the dissemination of the Innovator Entrepreneurship Award for members of Portugal's diaspora.

The Bank supports the National Prize for Creative Industries, an initiative of Unicer and the Fundação de Serralves which is aimed at promoting, supporting, accompanying and assisting the implementation of projects in the area of creative industries which are innovative, are capable of creating new skilled job posts and can produce a catalytic effect on Portuguese intellectual output within the context of the global market.

In the last 3 editions, BPI has supported the INSEAD Entrepreneurship Prize which was staged for the 6th time in 2013-2014. This prize has as its goal distinguishing companies which stand out for their innovation, growth, internationalisation and the relevance of their strategy for Portugal, as well as the manager who excels in the Portuguese economic panorama, rewarding their management capability and entrepreneurship.

BPI NET EMPRESAS

The DataE survey (Market survey, 2014) recognises that BPI's homebanking service responds unequivocally to companies' needs. BPI leads in 3 key variables of the survey: "Penetration of Net Banking", "Potential" and "Strength" in the corporate Customer base.

Over the past few years, there have been several developments in BPI Net Empresas, namely with respect to foreign-related functionalities (specially conceived for companies with international activity, namely functionalities in Spanish and English), effects management, payments, collections and guarantees.

These developments have permitted a qualitative jump that has enabled BPI Net Empresas to become one of the best homebanking platforms in Portugal.

BPI Net Empresas offers access to a digital documents file in a simple manner, free, ecological and secure, while it is now possible to subscribe to the digital document format.

At BPI Net Empresas security is maximised by the use of the most advanced data-protection technology, complemented by Access Keys and Personal Coordinate Cards.

COMMUNICATION AND EVENTS WITH CUSTOMERS

In the context of Customer-proximity strategy, BPI organised and participated – in partnership with key public and private entities – in around 40 events with almost 4 000 participants, as well as supporting the main fairs and events of the priority segments of corporate business.

The following were the most salient initiatives organised and sponsored:

PME Líder e Excelência (Leader and Excellence)

"Gala PME Excelência": falling within the sustained leadership mantel in the PME Líder and PME Excelência status, BPI sponsored and participated in the public ceremony for the presentation of the PME Excelência 2013 which took place on 6 February 2014.

Exports and Internationalisation

"BPI Iniciar Exportação": cycle of 5 events at various Portuguese cities, aimed at promoting debate about risks, good practices and support services available for the initial approach to external markets.

"BPI Mercados de Exportação": with the objective of debating the risks associated with international business, two seminars were held devoted to China and Mexico respectively. These conferences, which counted with the participation of COSEC, attracted about 300 participants.

Additionally, BPI continued to support and inject dynamism into initiatives covering markets and specific sectors of activity, amongst which the workshops with the Portuguese-Spanish and Portuguese-French Chambers of Commerce, COSEC, several business associations, amongst others.

Agriculture

"Prémio Agricultura 2014": in the 3rd edition of the Agriculture Prize, 5 conferences were staged with the aim of disseminating and bolstering candidacies throughout the country, as well as addressing major issues pertaining to the agro-industrial sector. Furthermore, a final conference was organised to announce the winners. The 6 sessions brought together some 700 participants.

The Agriculture Prize is a joint initiative of BPI and COFINA, sponsored by the Ministry of Agriculture and the Sea, with the object of promoting, incentivising and rewarding cases of national success. The 2014 edition saw a 173% increase in the number of candidacies.

"A Floresta em Portugal" (Forests in Portugal): conference in Coimbra promoted in partnership with COFINA and sponsored by the Ministry of Agriculture and the Sea, with the goal of discussing the trends and outlook for this sector. The debating panel included the participation of the Minister of Agriculture and the Sea.

"BioMarine Business Convention": BPI sponsored a convention dedicated to the Economy of the Sea which was held in Cascais, with a view to promoting a forum for the main representatives of the sector's firms to forge partnerships and generate business. The convention attracted around 300 CEO from 20 different countries, as well as some national representatives (President of the Portuguese Republic, Aníbal Cavaco Silva, and Prince Albert of Monaco, amongst others).

Sponsorship of Principal Fairs and Events: BPI sponsored and backed the sector's main national initiatives, amongst which the National Agricultural Fair, the 31st edition of Ovibeja, the 7th National Maize Congress, and the 2014 editions of Agroglobal and SISAB, amongst others.

Urban Rehabilitation

"BPI Oportunidades": event devoted to urban rehabilitation in Viseu which sought to share the experiences of companies which, in an adverse economic climate, find business opportunities in different business areas, investing in and exploiting their activity. Urban rehabilitation, associated with business projects with diversified ends (tourism, restaurants, health, education, etc.), has made possible successful investments to which BPI has contributed through the placement of the JESSICA line in the North, Centre and Alentejo regions.

Innovation and entrepreneurship

Workshop "How to present projects to financiers?": BPI presented sustained forms of project financing and management at 7 events organised for entrepreneurs, held in co-working venues sponsored by NOS. These events were attended by more than 140 participants.

PME Inovação COTEC-BPI Award

BPI sponsored yet another edition of the award promoted by COTEC Portugal, which honours a group of SME with innovative attitudes and businesses, and serve as examples of value creation for the country.

INSEAD Entrepreneurship Award 2013-2014

BPI sponsored the 6th edition of this award, which showcases companies that stand out for their innovation, growth and internationalisation, and the importance of their strategy for Portugal, as well as managers who display management flair and entrepreneurship.

BPI Empresas newsletter

BPI makes available an electronic newsletter to the corporate segment, as well as analyses and other important information of current business affairs. The 9 editions of the newsletter were distributed to more than 56 thousand Corporate Banking recipients.

INSTITUTIONAL BANKING AND STATE BUSINESS SECTOR

Public-sector Customer loans amounted to 1 425 M.€ at the end of December 2014, which represents a 28% year-on-year decrease.

PROJECT FINANCE

The Project Finance segment's loan portfolio presented a 5.7% contraction when compared with the end of the previous year, to be situated at 1 789 M.€ at the end of December 2014, in spite of the fact that there are still a number of projects in the disbursement phase.

The loan portfolio's behaviour continues to reflect the conjugation of ordinary repayments, early redemptions and disbursements of operations already contracted, the latter essentially in the domestic market.

By virtue of the constraints imposed by the macroeconomic landscape, the project finance market in Portugal has being recording a significant slowdown due, notably, to the suspension of the launching of new public-private partnership (PPP) public-spending projects. In this domain, the Bank has maintained a global strategy (and in this segment in particular) deliberately focused on greater selectivity in the financing of projects, in the decision not to participate in new operations on the international market and in the more intensive monitoring of the portfolio of loans and guarantees under management.

In parallel, the Project Finance area remains particularly active in the provision of financial advisory services, be they be to private or public-sector entities (being a leading player in the market), including a portfolio of projects in which it plays the role of the permanent financial consultant. The most noteworthy sectors are health, infrastructures (namely water and waste) and transport.

Bancassurance

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

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

Bancassurance's performance in 2014 is reflected in the following indicators: the amount of commissions rose to 39.9 M.€; insurance premiums totalled 145.9 M.€; at the end of the year, the number of active insurance policies stood at 434 thousand in life assurance and 507 thousand in non-life insurance.

Commissions
Intermediation of insurance products

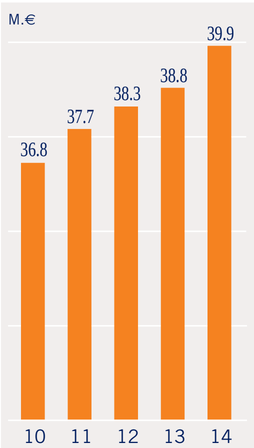


Chart 24

Insurance
Life-risk and non-life

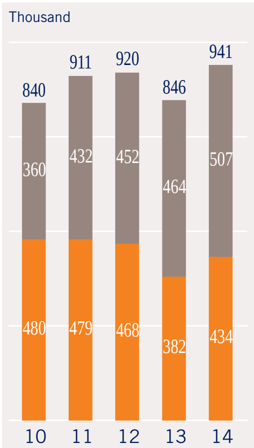


Chart 25

Non-life insurance
Life-risk insurance

Asset management

OVERVIEW OF ACTIVITY

At the end of 2014, BPI Gestão de Activos managed financial assets totalling 10 001 M.€, 27% more than the 2013 figure.

Assets under management Amounts in M.€

	2013	2014	Δ%
Unit trust (mutual) funds	2 142	2 285	6.7%
Real estate unit trust funds	192	178	(7.5%)
Pension funds	2 123	2 249	5.9%
Capitalisation insurance	3 364	5 288	57.2%
Institutional Customers	289	316	9.4%
Total[1]	**7 905**	**10 001**	**26.5%**

Table 11

BPI Gestão de Activos saw its position in the national market grow, attaining a 16.6% market share in the management of unit trust funds (ranked second on the markets), 14.4% in pension-fund management (third place) and 21% in new life-assurance business contracted (second place).

Assets under management

2010-2014

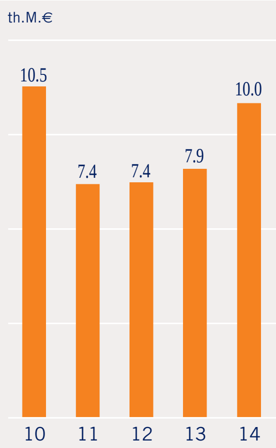


Chart 26

Assets under management breakdown
At 31 Dec. 14

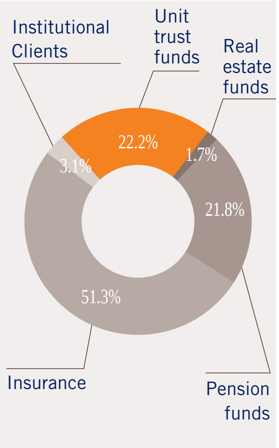


Chart 27

UNIT TRUST FUNDS

The amount of unit trust (mutual) funds under BPI's management rose by about 6.7% in 2014. Taking into account only the national market BPI Gestão de Activos posted positive marginal growth of 0.7% against a backdrop of an overall decline (-7%). At the close of 2014, the Management Company had a 16.6% market share, having climbed to second place in the ranking.

Unit trust funds under management Amounts in M.€

	2013	2014	Δ%
Bonds and money market	861	872	1%
Capital growth (equities)	406	536	32%
Tax efficiency (PPR / E and PPA)	669	678	1%
Diversification	206	198	(3.8%)
Total	**2 142**	**2 285**	**6.7%**

Table 12

It is worth underlining that the expressive expansion noted in the capital growth class (equities) resulted above all from the pronounced growth posted by both the BPI Iberia (domestic and Luxembourg) and BPI Alternative Fund (Luxembourg) funds.

REAL-ESTATE UNIT TRUST FUNDS

In the real-estate unit trust funds' portfolio, the amount under management dropped by 7.5%, at the same time as the national market registered a 11.3% decline in the total of open-ended funds. BPI's market share in the management of this category of funds stood at 4.4% at the end of 4.4%, retaining its twelfth place in the ranking.

1) Adjusted to eliminate duplications.

INSURANCE

At 31 December 2014, the volume of assets under management was situated at 5 349 M.€, evidencing a 57.4% expansion relative to the previous year.

At 31 December 2014 accumulated new capitalisation insurance business written by BPI Vida e Pensões amounted to 2 202 M.€, the company's highest ever new business contracted, corresponding to an appreciable 167% improvement on the 2013 figure.

This significant increase in new business propelled BPI Vida e Pensões into second place in the life-assurance market with a 21.0% market share (*versus* 8.9% at the end of 2013).

Even considering the market as a whole (life and non-life insurance), BPI Vida e Pensões occupies for the first time second place in the ranking of new business written by insurance firms, with a 15.3% market share.

Unit-link insurance recorded a large increase, with the volume of assets under management climbing from 430 M.€ to 904 M.€, which translates into a 110% jump in this type of products following the contracting of new business of around 476 M.€, up 267% on the 2013 figure. BPI Vida e Pensões's market share in this type of products is 23.4%.

PENSION FUNDS

In 2014 BPI Vida e Pensões managed to increase assets under management by 5.9%, which compares with market growth of 12.7%.

At the end of the year BPI Vida e Pensões was responsible for 38 pension funds of some 250 companies with overall net assets of 2 249 M.€.

In 2014 BPI was awarded the full management of eight company pension plans and wound up the Military Armed Forces Pension Fund pursuant to published legislation.

BPI Vida e Pensões occupied third place in the ranking of pension fund management in terms of the volume of assets under management at the end of 2014. The estimated market share was 14.4% (15.7% in 2013), not considering the amounts under management of the Bank of Portugal Pension Fund Management Company and of Previsão, whose sole objective involves the management of the respective shareholders' pension funds. In the management of open-ended pension funds, BPI occupies second place with a 27.3% market share, being responsible for the management of the second largest open-ended pension fund, the Fundo de Pensões Aberto BPI Valorização.

Investment banking

CORPORATE FINANCE

Based on the figures reported by Bloomberg relating to the deals announced in 2014, excluding the financial and real-estate sector, Mergers and Acquisition activity in Portugal[1] recorded an increase of more than 40% relative to 2013 in the number of deals, although with a decrease of around 30% in value terms.

BPI Corporate Finance was chosen to provide advisory services in a significant number of operations, amongst which advising the consortium led by Suma / Grupo Mota-Engil for the acquisition of a majority stake in Empresa Geral de Fomento, S.A., (EGF) as part of the privatisation process unveiled by the Portuguese State, advising Sonaecom in the tender offer for treasury stock and the assistance given to the NORS Group in the acquisition from Volvo of the Renault Trucks import, distribution and after-sales service business in Portugal. BPI also acted as global coordinator in Sonae Indústria's capital increase.

Besides those operations, BPI carried out other consulting assignments – within the ambit of the taking of investment and financing decisions (in Portugal and abroad) in the economic-financial analysis, valuation and restructuring of companies – for several national and international entities. It is worth highlighting amongst others the advisory services rendered to the Bensaude Group, Partex, Porto Editora and Vicaima.

There are also some mandates in progress which were carried out in 2014 but the conclusion of which is scheduled for 2015, amongst which the acquisition of the perfumes and cosmetics business of Barreiros Faria (Perfumes & Companhia) by the Arié Group.

The year saw the conclusion of 20 advisory mandates, with a further 11 in progress at the end of 2014, the completion of which has or will take place in 2015.

- NORS – We Know How: Advising on the acquisition of business Renault Trucks Portugal. 2014
- SUMA: Advising on the privatization of EGF – Empresa Geral do Fomento. 2014
- SONAE INDUSTRIA: Organization and support in Public Subscription Offer. 2014
- SONAECOM: Organization and support in Public Subscription Offer. 2014
- PARTEX OIL AND GAS: Oil & Gas asset valuation. 2006-2014

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

EQUITIES

Secondary market

In 2014 BPI brokered share dealings worth 7.9 th.M.€ (6.6 th.M.€ in 2013), up 20% on the preceding year. In online stock brokerage, Banco BPI was market leader with a share of 22.3%. Considering also the Investment Bank (via the BPI Online channel), BPI has an aggregate market share of 23.7%, having brokered 3.7 th.M.€, which represented 33% growth.

Primary market

In 2014 BPI acted as Joint Global Coordinator in Sonae Industria's 112 M.€ capital increase, as Co-Lead in the final phase of REN's privatisation and in the POS operations of ES Saúde and Euronext. In the block trades market, BPI brokered 23% of Impresa in the 1st quarter of the year.

Research and sales

BPI continues to be one of the research houses with the largest coverage of quoted companies in the Portuguese and Spanish markets, with a total of 62 companies covered in Spain and 24 in Portugal at the end of 2014. In addition, from its offices in Oporto, Madrid and Paris, BPI covers 30 quoted French companies and one Italian company.

BPI continued to organise numerous events with the goal of fostering relations with companies and the institutional investor community. Amongst these, it is worth noting the XI Iberian Conference held in Lisbon on 11 and 12 September, at which 41 Iberian companies and some 100 institutional investors were present, as well as representatives of the Portuguese government. Furthermore, BPI organised several roadshows with companies forming part of its coverage universe.

BPI Capital Africa

BPI Capital Africa, a member of the Johannesburg Stock Exchange, continued to expand its stockbroking business for institutional investors. During 2014, it expanded its universe of research coverage from 70 to 78 stocks, including a number of companies quoted on sub-Saharan stock markets (South Africa, Botswana, Ghana, Mauritius, Mozambique, Nigeria, Kenya, Ruanda, Senegal, Tanzania, Uganda, Zambia and Zimbabwe). In 2014, BPI Capital Africa obtained the first distinctions in the research rankings, both in South Africa (FM Rankings: #1 in the packaging sector and #4 in the industrial sector) and in the rest of Africa (Euromoney: #2 in the agricultural sector, #3 in Food & Beverages and #4 in retail). Moreover, BPI Capital Africa maintained active contact with some 150 institutional investors based in South Africa and various international markets.

At the end of 2014, the BPI Capital Africa team was composed of 14 staff (from Portugal, South Africa, Zimbabwe, Mozambique and England).

Trading

The principal trading activity was concentrated at BPI Alternative Fund – Iberian Equities Long Short. At the end of 2014, the Bank had an economic exposure of roughly 40% of the fund's participating units. The fund turned in a positive performance of 7.5% in 2014, net of commissions.

Recognition

At the end of 2014, the Iberian team was composed of 32 Employees, of who 15 form part of the research team and 17 are working in the sales and trading department.

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

NYSE Euronext

- Most active Research House 2013 – Portugal

Thomson Extel

- #2 Iberian Conference
- #2 Iberian Equity Sales
- #3 Iberian Brokerage Firm
- #3 Iberian Trading & Execution
- #3 Company & Expert meetings

Institutional Investors

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

Deloitte

- #1 Portuguese Research Team – IRG Awards
- #1 Research Analyst – IRG Awards

Starmine / Expansion

- #1 Awards for Excellence

PRIVATE EQUITY

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

At the end of 2014, the overall portfolio of the Group's private equity assets, comprising its own portfolio and the participating interests in the venture-capital funds, totalled some 85 M.€ at balance sheet values. The participating units in venture-capital funds at the end of December 2014 corresponded:

- to the 52% interest in the Fundo Caravela – Fundo de Capital de Risco with a capital of 30 M.€, promoted by BPI and managed by Inter-Risco. This fund is in the disinvestment stage;
- to the 46% interest in the Fundo Inter-Risco II, managed by Inter-Risco. With an allocation of 81.5 M.€, and besides BPI's participation of 37.5 M.€, the Fund has other key investors such as the European Investment Fund and the Fundação Calouste Gulbenkian. The fund focuses on buyout and build-up investments in unlisted small and medium-sized Portuguese companies. The fund's investment period commenced in 2010 and extends for 5 years;
- the 99.83% interest in Fundo Inter-Risco II CI, launched in July 2013 with a capital of 30.05 M.€, and with a subsidiary nature of Fundo Inter-Risco II, by way of investments in partnership with the latter. Inter-Risco holds the Fund's remaining capital, as well as being the respective management company;
- the 9% interest in Fundo PVCi, a fund with 111 M.€ managed by the European Investment Fund, geared towards investments in private equity and venture capital in Portugal.

Private Equity investments[1]

Invested funds

Caravela Fund	**52.0%**	In the development phase
IR II Fund	**46.0%**	Build-ups, Expansion and Leveraged Buy-outs (LBOs)
IR II CI Fund	**99.8%**	Fund with a subsidiary nature of the Fundo IR II and which has as its mission the realisation of investments in partnership with this
PVCi	**9.0%**	Investment fund in private equity and venture capital funds in Portugal

Equity interests

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

1) Excludes direct holdings in companies which are not venture capital firms, namely a 20% stake in Caravela Gest (Food retailer – Haagen Dazs) and 9.2% in Conduril (civil engineering and public works), as well as a 2.72% shareholding in Corporación Financiera Arco.

International operations

BANCO DE FOMENTO ANGOLA

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

At the close of 2014, BFA had total assets of 10 217 M.US$ (15.8% more than in 2013), a headcount of 2 526 Employees and a distribution network made up of 186 units serving more than 1.3 million Customers.

Resources

Customer resources recorded 15.8% growth, rising to 9 002 M.US$[1] (7 396 M.€). In December, BFA had a 16.7% market share in deposits, thus ranking second in the market.

Loans

The loan and guarantees portfolio, measured in dollars[1], recorded a 57.9% increase to 2 825 M.US$ (2 321 M.€). BFA's market share was 12.7%[2] in December 2014: this percentage corresponds to fourth position in the market ranking.

At the end of 2014, 80.9% of the loan and guarantees portfolio corresponded to the companies segment and the remaining 19.1% to the individuals segment.

Cards and automated banking

BFA has a leading position in debit and credit cards in Angola, with 883 thousand valid debit cards at the end of 2014, which corresponded to a market share of 18.8%, and with close to 17 thousand active credit cards (Classic and Gold).

The Bank maintained a prominent position in the stock of active TPA devices and ATM facilities in 2014, closing the year with 6 564 TPA terminals corresponding to the top spot with a 24% market share, and 371 ATM machines, which corresponds to second position with a 14.5% market share.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	2013	2014	Δ%
Net total assets	6 409	8 394	31.0%
Loans to Customers	1 072	1 833	71.0%
Loans to Customers and guarantees	1 299	2 321	78.6%
Customer resources	5 645	7 396	31.0%
Shareholders' equity	630	835	32.5%
Employees (no.)	2 428	2 526	4.0%
Branches (no.)	175	186	6.3%
ATM machines (no.)	347	371	6.9%
POS (no.)	4 842	6 564	35.6%
Customers (thousand)	1 193	1 301	9.1%

Table 13

Customer loans

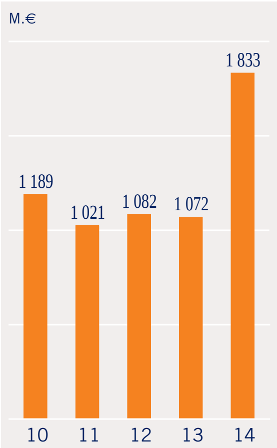


Chart 28

Customer resources

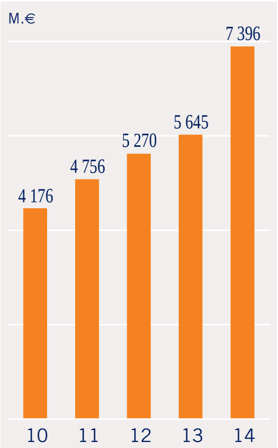


Chart 29

1) When analysing the performance of BFA's commercial activity, variances in dollars are used for those items bearing in mind that close to 37% of Customer resources and 33.5% of the loan book are denominated in dollars, and therefore are more representative of the evolution of business in Angola. When analysing the impact on the Group's financial statements, the consolidation currency is the euro. Expressed in euro, Customer resources grew by 31% while the loan and guarantees portfolio grew 79% in 2014.
2) According to the Central Bank's statistics, for this purpose, loans are deemed to include loans, Treasury Bills and Treasury Bonds, as well as financial investments.

Securities portfolio

BFA's securities portfolio totalled 2 878 M.€ at the end of 2014. Around 21% of the securities portfolio comprised Angolan Treasury Bills, while the remaining 79% corresponded to Angolan Treasury Bonds with maturities ranging from 1 to 5 years. For their part, 82% of the Treasury Bonds are denominated in national currency and 18% in foreign currency.

Customers

The inflow of new Customers proceeded at a brisk pace in 2014, enabling the Customer base to expand by 108 thousand. At the end of 2014, BFA Customers numbered a total of 1.3 million.

The homebanking service has been growing, registering a total of 102 thousand new users in 2014 relative to 2013.

Employees

At the end of 2014, BFA's staff complement stood at 2 526, representing an annual increase of 4%.

Commercial network

BFA continued to pursue its segmentation strategy and the expansion of the distribution network, most notably in Luanda province. In 2014 10 new branches and one Investment Centre were opened.

Customers

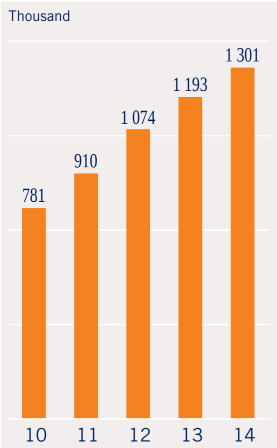


Chart 30

Subscribers of homebanking services

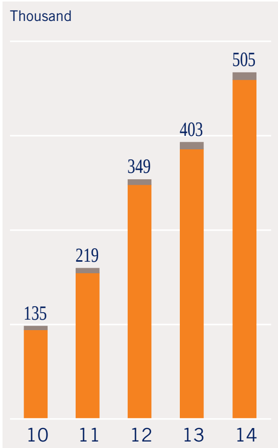


Chart 31

- BFA NET
- BFA NET Particulares (individuals)

Commercial network

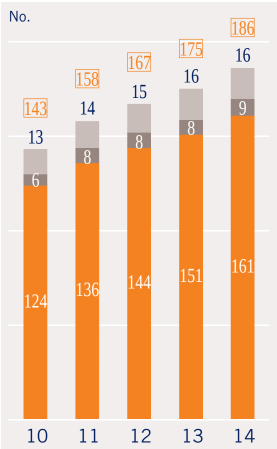


Chart 32

- Corporate centres
- Investment centres
- Retail branches

Employees

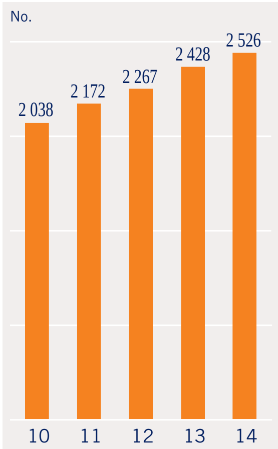


Chart 33

CAMPAIGNS

Business solutions
The business solutions campaign is directed at the small and medium-sized companies segment and is aimed at promoting products and services that the Bank already offers, integrating credit solutions, treasury management and overseas payment operations.

Western Union
This institution announced the extension of the Western Union services to all the branches and investment centres, as well as positioning the Bank as the main service provider in the area of rapid national and international transfers.

Learn not waste time in the queue
A campaign directed at BFA Customers who find themselves at a branch. Its objective is to encourage Customers to utilise the Multicaixa Card, thereby avoiding having to stand in long queues waiting to be served.

Road levy
In its role of authorised agent, BFA realised a campaign with the object of promoting the sale of Road Levy stamps relating to 2014.

Click Click Click
The purpose of the Click Click Click campaign is to disseminate the new functionality of BFA Net / BFA Net Empresas of Payment for Services and Top-Ups. This service makes possible the recharging of mobile phones and the payment of utility bills such as TV, Water, Electricity or Insurance.

BFA Net – Recharge, click; Insurance, click; TV, click (advertising campaign)

NEW COMMUNICATION CHANNEL
Inaugurated in October 2014, the BFA Attendance Line, is the new communication channel with the Customer. In an initial phase, the BFA Attendance Line will only be for information purposes, having as its principal goal assisting Customers in clarifying doubts regarding BFA products and services and in the management of complaints.

KANDANDU
New prepaid card
The Kandandu Card is the first prepaid card, entirely managed on the new EMIS platform, complying in this manner with the regulations laid down by BNA in its Notice no. 10 / 2012 of 2 April. This card is reserved exclusively for BFA Customers.

NEW FUNCTIONALITIES OF THE PUBLIC SITE
BFA's Public Site now makes available publications which the user can subscribe to and receive periodically via his email.

Currently the user can subscribe to two types of publications, "Economic Review" and "Weekly Commentary".

A bilingual version was also launched and is now available in Portuguese and English.

RECOGNITION

Sirius Award

Company of the Year – Financial Sector

BFA was distinguished, for the second time, with the Financial Sector Company of the Year in the 4th staging of the Sirius Awards, which took place at the Hotel Epic Sana in Luanda. The jury evaluated the rigour and quality of the projects and strategies undertaken by the Bank.

Best Annual Report and Accounts – Financial sector

BFA was honoured for the second consecutive year with the award for the "Best Management Report and Accounts" in the 3rd edition of the Sirius Awards. In this category, the jury's decision was based on the quality of the management and financial information that the Bank produced relating to its business and performance during the course of the year.

Global Brands Magazine

Best Banking Brand in Western Africa

Global Brands Magazine attributed BFA for the second consecutive year the award for the Best Banking Brand in West Africa 2014. This honour can be mainly ascribed to the activation of the BFA Brand in the Angolan market and the Bank's performance in the implementation of new Customer-support services.

Superbrands

Excellence Brand

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

Deutsche Bank

STP Excellence Award

BFA was distinguished for the 12th consecutive time by Deustche Bank with the STP Award (Straight Through Processing) as a result of the high success rate in the index of the automatic processing of foreign operations carried out in 2013, with a 99.31% success rate.

International Finance Magazine

Best Corporate Bank

The International Finance magazine rated BFA as the "Best Corporate Bank in Angola". International Finance Magazine is a British online magazine with readers in more than 180 countries and which annually distinguishes the best banking sector entrepreneurs in the various business categories.

Card and epayment Africa Awards

Best Debit Card Programme

BFA received the Award for the "Best Debit Card Programme" from the portal Card and epayment Africa Awards. The portal uses as the main criteria when granting the award innovation in debit cards, design in the production of cards and the technological development of electronic payment means in Africa.

World Finance

Best Corporate Management

The World Finance magazine elected BFA as the Bank with the "Best Corporate Management". This distinction was given by World Finance based on the consolidation of operations, the contribution to Angola's economic development and the creation of specific solutions for Customers.

Global Banking and Finance Review

Best Commercial Bank

BFA received the award for the second year running for being the "Best Commercial Bank in Angola" by the British portal Global Banking and Finance Review. The principal factor behind the honour is its diversified range of products and services, the extensive branch network and the Social Responsibility Programme devoted to Education, Health and Social Solidarity.

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

BCI's total assets recorded annual growth of 17.7%, totalling 2 389 M.€. BCI is the second biggest Mozambican bank representing 26.8% of the financial system's total assets at the close of 2014.

Deposits

Deposits taken from Customers registered in 2014, when measured in euro 23.4% growth, reaching 1 788 M.€. BCI occupied second place by volume of deposits with a 28.5% market share at the close of the year (+0.3 p.p. more than in 2013).

Loans

The loan book amounted to 1 428 M.€, corresponding to 30.7% growth when compared with the previous year. BCI's market share in the loan segment was situated at 29.7% at the end of 2014 (+0.8 p.p. more than 2013), which places it in first place in the market.

Distribution network

BCI opened 37 new branches in 2014, closing down 2 units. Thus at the end of the year, the bank boasted a total of 168 distribution points, of which 146 were traditional branches, 21 were Exclusive Centres and 1 Business Centre. On the other hand and reflecting BCI's priority focus on expanding electronic banking, the bank closed the year with 477 ATM (+45% relative to December 2013) and 6 303 POS (+34.3% on the previous year). The bank's Customer base reached 1 million (33.5% higher) at the close of 2014 who were served by a total of 2 456 Employees.

Banco Comercial e de Investimentos
Selected indicators

Amounts in M.€

	2013	2014	Δ%
Net total assets	2 030	2 389	17.7%
Loans to Customers (net)	1 093	1 428	30.7%
Customer deposits	1 449	1 788	23.4%
Shareholders' equity	150	183	21.8%
Employees (no.)	2 121	2 456	15.8%
Branches (no.)	133	168	26.3%
ATM machines (no.)	329	477	45.0%
POS (no.)	4 694	6 303	34.3%
Customers (thousand)	776	1 036	33.5%

Table 14

Customer loans

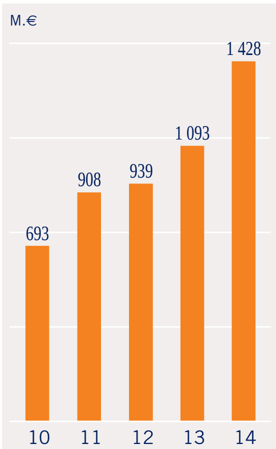


Chart 34

Customer deposits

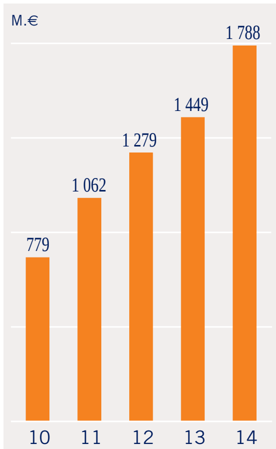


Chart 35

MOZAMBIQUE FINANCIAL SERVICES DIVISION

The Mozambique Financial Services Division (Direcção de Serviços Financeiros Moçambique – DSFM) continued in 2014 to lend support for the preparation and formal start-up of BPI Moçambique's operations, including support in promotional contacts, the prospecting for mandates in Mozambique and in Portugal and the work associated with the respective execution.

The Division also continued to undertake the monitoring of Banco BPI's loan and guarantees portfolio in African countries, which at the end of 2014 totalled 98.7 M.€ (104.4 M.€ at the end of 2013).

BPI MOÇAMBIQUE

BPI Moçambique – Sociedade de Investimento, S.A., – dedicated the provision of services in the area of financial consulting and structuring of medium and long-term financing in Mozambique and neighbouring countries – formally commenced its business activities on 17 April 2014 in Maputo. With effect from that date, BPI Moçambique formally assumed the mandates in progress of the DSFM, notwithstanding this continuing naturally to provide all the necessary technical support, while staying involved in the joint mandates with BPI Moçambique.

Financial review

Selected indicators

Amounts in M.€

	2013	2014			2014 excl. non-recurrent impacts[1]	
	Consolidated	Domestic activity	International activity	Consolidated	Domestic activity	Consolidated
Net profit, efficiency and profitability						
Net profit	66.8	(289.7)	126.1	(163.6)	(25.5)	100.6
Net profit per share[2]	0.048	(0.204)	0.089	(0.115)	(0.018)	0.071
Cash flow after taxation	358.8	(62.7)	168.3	105.6	178.6	347.0
Net operating revenue	1 048.1	448.8	408.9	857.7	615.6	1 024.6
Net operating revenue per Employee[3] (thousands of euro)	120	73	165	99	71	118
Operating costs / net operating revenue[4]	62.1%	118.0%	34.7%	78.3%	79.4%	61.6%
Average total assets	43 331.2	35 918.3	7 101.4	42 201.9		
Return on average total assets (ROA)	0.4%	(0.8%)	3.5%	(0.1%)	(0.1%)	0.5%
Average Shareholders' equity	2 267.2	1 852.2	385.7	2 237.9		
Return on average Shareholders' equity (ROE)[5]	2.9%	(15.6%)	32.7%	(7.3%)	(1.4%)	4.5%
Assets quality						
Credit at risk / Loans to Customers[6]	5.1%	5.4%	4.4%	5.4%		
Coverage of credit at risk by impairments	77%	81%	102%	82%		
Net credit loss[7]	0.96%	0.66%	1.30%	0.70%		
Pension liabilities						
Employee pension liabilities	1 082	1 278		1 278		
Cover of pension obligations[8]	105%	98%		98%		
Capital						
Shareholders' equity and minority interests	2 306	1 669	876	2 546		
CRD IV / CRR rules for 2014						
Common equity Tier 1 ratio	15.6%			10.2%[9]		
Leverage ratio	7.6%			5.9%[9]		
CRD IV / CRR fully implemented						
Common equity Tier 1 ratio	11.2%			8.6%[9]		
Leverage ratio	5.5%			5.2%[9]		
Liquidity						
Liquidity coverage ratio (CRD IV / CRR fully implemented)	350%			124%		
Net Stable Funding Ratio (CRD IV / CRR fully implemented)	113%			99%		
Loans-to-deposits ratio	96%	106%	25%	84%		

Note: Figures as reported. According to the rules laid down in IFRS 10, the BPI Group started to fully consolidate in 2014 the holdings in the BPI Obrigações Mundiais, Imofomento and BPI Strategies funds, and to recognise on the liabilities side the minority interests in the fully-consolidated unit trust funds. The figures presented in the Directors' Report refer to the amounts as reported, except where it is expressly stated that they are pro forma figures (taking into consideration the retrospective application of IFRS 10). The retrospective application of the requirements of IFRS 10, as provided for by IAS 8, has the following impacts using the figures at 31 Dec. 13 as reported: increase in net total assets of 121 M.€, decrease in shareholders' equity of 0.2 M.€ and of the minority interests in 18.9 M.€, and the 0.2 M.€ increase in consolidated net income in 2013.

Table 15

1) Excluding the non-recurring impacts on the 2014 results from domestic operations (see details on pages 75 and 76).
2) Net profit divided by the average number of shares issued net of treasury stock.
3) Taking into consideration the number of Employees of the companies that use the full consolidation method.
4) Operating costs as a percentage of net operating revenue.
5) In arriving at the ROE, account is taken of shareholders' equity before deducting the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets.
6) In accordance with Bank of Portugal Instruction 16 / 2004.
7) Loan impairments in the year, net of recoveries, as a % of the average loan portfolio.
8) The pension funds' figure taken into account includes the contribution transferred to the pension funds at the start of the following year (2.9 M.€ in 2013 and 47.0 M.€ in 2014).
9) Pro forma figures taking into account the adherence to the special regime applicable to deferred tax assets and the change to the risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA.

CONSOLIDATED OVERVIEW

Consolidated net result

In 2014 BPI posted a consolidated net loss of 163.6 M.€. This result is attributable to a negative contribution of -289.7 M.€ from domestic operations and a positive contribution of 126.1 M.€ from international operations.

Earnings from domestic activity were greatly affected by non-recurring negative impacts of 264.3 M.€ [1]. Excluding these impacts, the contribution from domestic operations to consolidated earnings was a negative 25.5 M.€.

The more recurrent nature of the earnings base in domestic activity (-25.5 M.€) is also affected:

- by a revenue base depressed by the high cost (2%) of time deposits (1.5% spread on Euribor, in average terms in the year) against a backdrop of Euribor interest rates close to zero and weak demand for credit;
- by the cost of credit risk which, despite the drop from 0.98% in 2013 to 0.66% in 2014, is situated above the historically low levels recorded by BPI (0.27% in the 10 years falling between 2002 and 2011[2]).

Net results in 2014

Amounts in M.€

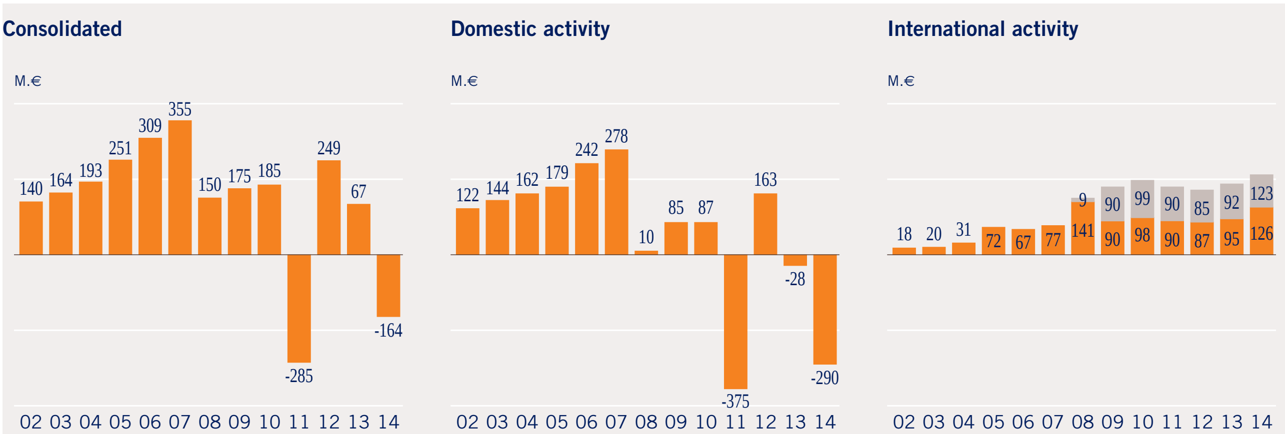
	2014	Non-recurring impacts 2014	2014 excl. non--recurring
Domestic activity	(289.7)	(264.3)	(25.5)
International activity	126.1		126.1
Consolidated	**(163.6)**	**(264.3)**	**100.6**

Table 16

The prospects of the continuing decrease in the cost of time deposits, the spread of which *vis-à-vis* Euribor fell to 0.5% on deposits contracted in December 2014, the decline in the cost of credit risk and the moderate revival in the demand for credit in the corporate segment constitute key factors behind the recovery of the current earnings base and the profitability of domestic business.

International operations, which primarily refers to the activity conducted in Angola through BFA and, to a lesser extent, to BCI operations in Mozambique, increased their contribution to consolidated profit by 32.5% (+30.9 M.€) to 126.1 M.€ in 2014.

Net result



- Minority interests
- Net profit attributed to BPI

Chart 36

ROE

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

1) See the description of the non-recurring impacts on 2014 earnings on page 75.
2) Period prior to the maximum figures attained in 2012 (0.91%) and 2013 (0.98%).

Return on consolidated shareholders' equity

Consolidated ROE was situated at -7.3%. Excluding the non-recurring negative impacts, the consolidated ROE was a positive 4.5%.

The return on shareholders' equity in domestic operations was a negative 15.6% in 2014 (-1.4% if adjusted by the non-recurrent impacts).

International operations have consistently presented high efficiency and profitability levels. In 2014, the cost-to-income indicator was situated at 35%, while the ROE on international activity stood at 32.7%.

In average terms, 83% of the Group's shareholders' equity was deployed in domestic operations in 2014, while 17% of average equity was allocated to international operations.

Consolidated net profit

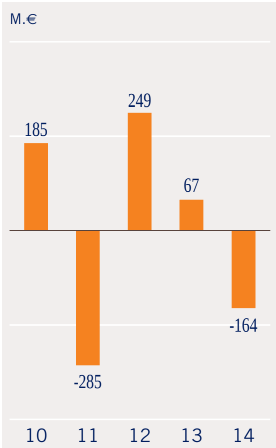


Chart 37

Consolidated ROE

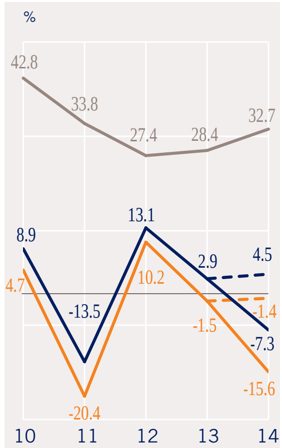


Chart 38

- Consolidated
- International activity
- Domestic activity
- Excluding non-recurring impacts

ROE by business area in 2014

Amounts in M.€

			Domestic activity				International activity	BPI Group (Consolidated)
			Commercial banking	Investment banking	Participating interests and other	Total		
Average risk weighted assets		*1*	**17 187.8**	**423.3**	**163.0**	**17 774.2**	**2 911.7**	**20 685.9**
Capital allocated		*2*	1 662.8	92.6	96.8	1 852.2	385.7	2 237.9
Capital reallocation		*3*	128.3	(48.5)	(79.8)	-	-	-
Adjusted Shareholders' equity for ROE calculation	*[= 2 + 3]*	*4*	**1 791.1**	**44.1**	**17.0**	**1 852.2**	**385.7**	**2 237.9**
Net profit		*5*	(290.7)	12.1	(11.1)	(289.7)	126.1	(163.6)
Adjustment to profit due to capital reallocation		*6*	2.2	(0.8)	(1.4)	-	-	-
Net profit (adjusted)	*[= 5 + 6]*	*7*	**(288.5)**	**11.3**	**(12.5)**	**(289.7)**	**126.1**	**(163.6)**
ROE	*[= 7 / 4]*	*8*	**(16.1%)**	**25.5%**	**(73.4%)**	**(15.6%)**	**32.7%**	**(7.3%)**

Calculation of ROE by business areas

Table 17

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

Geographical segmentation of the BPI Group's domestic activity
Domestic activity comprises the commercial banking activity conducted in Portugal, the provision of banking services to non-residents abroad – namely to Portuguese emigrant communities, and those of the Madrid branch –, and the activities relating to investment banking – conducted by Banco Português de Investimento –, private equity, asset management and insurance.
International operations comprise the activity conducted by Banco Fomento Angola, 50.1% held and consolidated in full, as well as well as the activity of Banco Comercial e de Investimentos (BCI) in Mozambique, in respect of which the appropriation of results by BPI results from the 30% shareholding held (equity accounted), the activity of BPI Moçambique – Sociedade de Investimento (100% held) and the activity of BPI Capital África in South Africa (100% held). International operations' contribution to net profit in 2014 from Banco Fomento Angola amounted to 116.9 M.€, from BCI was 10.6 M.€, from BPI Moçambique was -0.06 M.€ and from BPI Capital África was -1.4 M.€.

Consolidated income statement

Amounts in M.€

		2013 Proforma[3]	2013	2014		
		Consolidated	Consolidated	Domestic activity	International activity	Consolidated
Net interest income (narrow sense)	*1*	445.3	444.7	248.7	236.6	485.3
Other income[1]	*2*	29.8	30.4	29.0	0.1	29.1
Net interest income *[= 1 + 2]*	*3*	**475.0**	**475.1**	**277.7**	**236.7**	**514.5**
Technical result from insurance contracts	*4*	24.8	24.8	34.4	0.0	34.4
Commissions and other fees (net)	*5*	308.8	310.3	246.3	65.9	312.2
Profits from financial operations	*6*	260.7	261.5	(92.7)	117.6	24.9
Operating income and charges	*7*	(21.9)	(23.7)	(16.9)	(11.3)	(28.2)
Net operating revenue *[= Σ 3 to 7]*	*8*	**1 047.4**	**1 048.1**	**448.8**	**408.9**	**857.7**
Personnel costs, excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan	*9*	366.8	366.8	302.1	68.0	370.1
Outside supplies and services	*10*	232.4	232.4	178.5	59.7	238.2
Depreciation of fixed assets	*11*	31.4	31.4	16.7	14.1	30.8
Operating costs excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan *[= Σ 9 to 11]*	*12*	630.6	630.5	497.2	141.8	639.1
Early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan[2]	*13*	20.0	20.0	32.5	0.0	32.5
Operating costs *[= 12 + 13]*	*14*	**650.6**	**650.5**	**529.7**	**141.8**	**671.5**
Operating profit *[= 8 - 14]*	*15*	**396.8**	**397.5**	**(80.9)**	**267.1**	**186.2**
Recovery of loans written-off	*16*	17.6	17.6	14.0	2.5	16.5
Loan provisions and impairments	*17*	272.6	272.6	172.5	20.7	193.2
Other impairments and provisions	*18*	(12.0)	(12.0)	37.9	7.4	45.3
Profits before taxes *[= 15 + 16 - 17 - 18]*	*19*	**153.8**	**154.5**	**(277.3)**	**241.5**	**(35.8)**
Corporate income tax	*20*	20.5	20.4	26.3	4.3	30.7
Equity-accounted results of subsidiaries	*21*	27.1	27.1	14.6	11.6	26.1
Minority interests	*22*	93.4	94.4	0.7	122.6	123.3
Net profit *[= 19 - 20 + 21 - 22]*	*23*	**67.0**	**66.8**	**(289.7)**	**126.1**	**(163.6)**
Note:						
Non-recurrent impacts	*24*			(264.3)		(264.3)
Net profit excl. non-recurring impacts	*25*			**(25.5)**	**126.1**	**100.6**

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

Table 18

2) In 2013, the change in the calculation of the death subsidy following the publication of Decree-Law 13 / 2013 originated the recording of a gain of 3.3 M.€ in that year.

3) Pro forma 2013: taking into consideration the retrospective application of IFRS 10. According to that standard, the BPI Group started to fully consolidate in 2014 the equity interests in the BPI Obrigações Mundiais, Imofomento and BPI Strategies funds and to recognise on the liabilities side the minority interests in the fully-consolidated unit trust funds.

Full consolidation of the BPI Obrigações Mundiais, Imofomento and BPI Strategies funds and recognition under liabilities of the minority interests in unit trust funds (IFRS 10)
According to the rules laid down in IFRS 10, the BPI Group started in 2014 to fully consolidate the holdings in BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações, in Imofomento – Fundo de Investimento Imobiliário Aberto and in BPI Strategies, in which it holds 56.1%, 40.4% and 59.1% respectively of the participation units. Also in terms of IFRS 10, the minority interests in the fully-consolidated unit trust funds (BPI Alternative Fund Lux, BPI Obrigações Mundiais, Imofomento and BPI Strategies) began to be recorded as liabilities, being included under the caption Customer resources. See note 2.1 to the financial statements
The figures presented in the Directors' Report refer to the amounts as reported, except where it is expressly stated that they are pro forma figures (considering the retrospective application of IFRS 10). The retrospective application of the requirements of IFRS 10, as provided for by IAS 8, has the following impacts using the figures at 31 Dec. 13 as reported: increase in net total assets of 121 M.€, decrease in shareholders' equity of 0.2 M.€ and in the minority interests of 18.9 M.€ and the 0.2 M.€ increase in consolidated net income in 2013.

Consolidated balance sheet

At the end of 2014, consolidated assets totalled 42.6 th.M.€ while consolidated shareholders' equity stood at 2.1 th.M.€. At the end of 2014, 78% of the Group's shareholders' equity was allocated to domestic activity and the remaining 22% was deployed in international operations.

Total assets in domestic operations stood at 34.8 th.M.€. The domestic operations' balance sheet essentially reflects intermediation business with Customers: Customer resources funded 72% of assets, while Customer loans represented 67% of those assets. In off-balance sheet accounts, the Bank has under management 3.2 th.M.€ of Customer resources.

The international operations' balance sheet presents a high degree of capitalisation and liquidity. Total assets amount to 8.5 th.M.€ and are wholly funded by Customer deposits and shareholders' equity. BFA's business is founded on the capture of Customer deposits and on the application of part of those resources in loans (25% of deposits), with surplus liquidity being placed in Angolan State securities, in placements at BNA (Central Bank) and on the international banking market.

Consolidated balance sheet
At 31 December 2014

Amounts in M.€

	Domestic activity[1]	International activity[1]	Consolidated
Assets			
Loans to Customers	23 436.0	1 833.0	25 269.0
Financial assets' portfolio [2]	7 754.0	2 877.9	10 631.9
Other	3 656.2	3 740.9	6 728.0
Total assets	**34 846.3**	**8 451.7**	**42 628.9**
Liabilities and shareholders' equity			
Deposits	19 121.9	7 396.3	26 518.2
Other Customer Resources[3]	5 998.0		5 998.0
Other	8 057.0	179.2	7 567.0
Shareholders' equity attributable to BPI shareholders	1 667.6	459.8	2 127.4
Minority interests	1.8	416.5	418.3
Total Shareholders' equity and minority interests	**1 669.4**	**876.2**	**2 545.6**
Total liabilities and Shareholders' equity	**34 846.3**	**8 451.7**	**42 628.9**
Guarantees	1 680.8	487.9	2 168.7
Off-balance sheet Customer resources	3 216.2		3 216.2

Table 19

Consolidated balance sheet structure in 2014

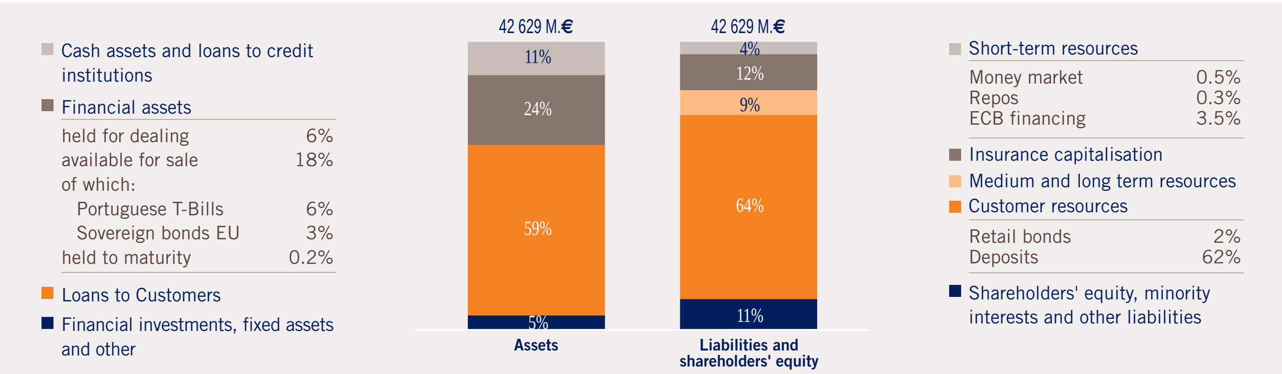


Chart 39

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

Consolidated balance sheet

Amounts in M.€

			2013 Proforma[1]	2013	2014		
			Consolidated	Consolidated	Domestic activity[2]	International activity[2]	Consolidated
Assets							
Cash, deposits at central banks and deposits and loans to credit institutions		1	3 727.8	3 725.1	2 013.3	3 514.5	4 863.5
Loans and advances to Customers		2	25 965.1	25 965.1	23 436.0	1 833.0	25 269.0
Financial assets held for dealing		3	1 317.6	1 295.8	2 803.6	214.1	3 017.7
Financial assets available for sale		4	9 624.2	9 694.2	4 862.1	2 663.7	7 525.8
Investments held to maturity		5	136.9	136.9	88.4	0.0	88.4
Investments in associated companies and jointly controlled entities		6	222.0	222.0	158.2	54.8	213.0
Other		7	1 826.8	1 660.6	1 484.8	171.7	1 651.5
Total assets	*[= Σ 1 to 7]*	8	**42 820.4**	**42 699.7**	**34 846.3**	**8 451.7**	**42 628.9**
Liabilities and shareholders' equity							
Resources of central banks		9	4 140.1	4 140.1	1 561.2	0.0	1 561.2
Credit institutions' resources		10	1 453.2	1 453.2	2 007.2	29.4	1 372.4
Customer resources and other loans		11	25 630.5	25 495.0	20 685.7	7 448.9	28 134.6
Debts evidenced by certificates		12	2 598.5	2 598.5	2 238.1	0.0	2 238.1
Technical provisions		13	2 689.8	2 689.8	4 151.8	0.0	4 151.8
Financial liabilities associated to transferred assets		14	1 387.3	1 387.3	1 047.7	0.0	1 047.7
Contingent convertible subordinated bonds		15	920.4	920.4	0.0	0.0	0.0
Other subordinated loans and participating bonds		16	136.9	136.9	69.5	0.0	69.5
Other		17	1 576.5	1 572.3	1 415.6	97.1	1 507.8
Shareholders' equity attributable to BPI shareholders		18	1 921.7	1 921.9	1 667.6	459.8	2 127.4
Minority interests		19	365.5	384.4	1.8	416.5	418.3
Total Shareholders' equity and minority interests	*[= 18 + 19]*	20	**2 287.2**	**2 306.3**	**1 669.4**	**876.2**	**2 545.6**
Total liabilities and Shareholders' equity	*[= Σ 9 to 19]*	21	**42 820.4**	**42 699.7**	**34 846.3**	**8 451.7**	**42 628.9**
Note: bank guarantees		22	2 106.8	2 106.8	1 680.8	487.9	2 168.7
Off-balance sheet Customer resources[3]		23	3 097.7	3 238.7	3 216.2		3 216.2

Table 20

1) Pro forma Dec.13: considering the retrospective application of IFRS 10. According to that standard, the BPI Group started in 2014 to fully consolidate the holdings in BPI Obrigações Mundiais, in Imofomento and in BPI Strategies, and to recognise under liabilities the minority interests in the fully-consolidated unit trust funds.
2) The Domestic and International Operations' balance sheets presented above are not corrected for the balances resulting from operations between those segments.
3) Unit trust funds, PPR and PPA, and assets under BPI Suisse's management. Figures net of the participation units in the Group banks' portfolios.

GROUP CAPITAL

Accounting shareholders' equity

Accounting shareholders' equity stood at 2 546 M.€ at the end of 2014 and corresponded to:

- Shareholders' equity attributable to BPI of 2 127 M.€;
- minority shareholders' interests of 418 M.€ corresponding in essence to Unitel's 49.9% stake in BFA' (416 M.€).

Selected indicators — Amounts in M.€

	2013	2014
Shareholders' equity and minority interests	2 306	2 546
Common equity Tier 1 fully implemented	2 374	2 119
Risk-weighted assets	21 126	24 675
Common equity Tier 1 ratio fully implemented	11.2%	8.6%

Table 21

Shareholders' equity and minorities interests trend in 2014 — Amounts in M.€

			Shareholders' equity attributable to BPI shareholders	Minority interests	Total
Shareholders equity at 31 December 2013		*1*	**1 921.9**	**384.4**	**2 306.3**
Impact of change to the consolidation scope		*2*	(0.2)	(18.9)	(19.1)
Shareholders equity at 31 December 2013 Proforma	*[= 1 + 2]*	*3*	**1 921.7**	**365.5**	**2 287.2**
BFA dividends paid to minorities		*4*		(44.2)	(44.2)
Net profit		*5*	(163.6)	123.3	(40.3)
Public exchange offer of BPI shares for preference shares and subordinated debt[1]		*6*	115.5	(49.0)	66.5
Change in the fair value reserve, net of deferred taxes[2]		*7*	286.4		286.4
Actuarial variances, net of deferred taxes[3]		*8*	(75.4)		(75.4)
Exchange translation differences of foreign companies		*9*	24.8	23.8	48.6
Other		*10*	18.0	(1.1)	16.8
	[= Σ 4 to 10]	*11*	**205.7**	**52.8**	**258.4**
Shareholders equity at 31 December 2014	*[= 3 + 11]*	*12*	**2 127.4**	**418.3**	**2 545.6**

Table 22

Capital ratios

At 31 December 2014, the common equity Tier 1 capital ratio (CET1) calculated according to the fully-implemented CRD IV / CRR rules (that is without benefiting from the phasing-in period provided for in those rules) totalled 1.7 th.M.€, which corresponded to a common equity Tier 1 ratio of 8.4%.

The common equity Tier 1 ratio calculated according to the CRD IV / CRR rules applicable in 2014 stood at 11.8%.

Two regulatory alterations took place in 2014, the impact of which will be reflected in capital with effect from 1 January 2015:

- adherence to the special regime for deferred tax assets (DTA), which was approved at the Shareholders' General Meeting held on 17 October 2014;
- the application of the new risk weightings applied to BFA's exposure, expressed in Kwanza, to the Angolan State and to BNA.

In this respect, the following review of capital is centred on the pro forma figures at 31 December 2014 after taking into account those regulatory amendments.

1) BPI concluded in June a public exchange offer (Portuguese initials OPT) of subordinated debt and preference shares for new Banco BPI shares. The Offer was accepted by the holders of securities amounting to 115.8 M.€, which represented 91% of the securities that were the object for the OPT (127 M.€). The OPT permitted an increase in accounting shareholders' equity of 112.8 M.€, of which 103.1 M.€ corresponded to the share capital increase.
2) See page 89 (Investments in securities and participating interests in domestic activity).
3) See page 83 (Employee pension liabilities in domestic operations).

The pro forma fully-implemented common equity Tier 1 at the close of 2014 was 2.1 th.M.€, which corresponded to a pro forma common equity Tier 1 ratio of 8.6%.

The common equity Tier 1 ratio according to the CRD IV / CRR rules applicable in 2014 was 10.2% (pro forma).

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

Amounts in M.€

		CRD IV / CRR 2014 rules			CRD IV / CRR Fully implemented		
		31 Dec. 13	31 Dec. 14	31 Dec. 14 proforma[1]	31 Dec. 13	31 Dec. 14	31 Dec. 14 proforma[1]
Common Equity Tier 1 capital	1	3 375.0	2 425.5	2 529.9	2 373.9	1 700.7	2 118.7
Risk-weighted assets	2	21 616.0	20 602.3	24 811.2	21 125.7	20 221.5	24 674.7
Common Equity Tier 1 ratio	3	15.6%	11.8%	10.2%	11.2%	8.4%	8.6%

Table 23

The 2.6 p.p. decline in the fully-implemented Common Equity Tier 1 ratio (pro forma) relative to December 2013 can be ascribed to the 255 M.€ decrease in CET1 capital and to the 3.5 th.M.€ increase in risk-weighted assets.

The decrease in Common Equity Tier 1 is chiefly explained by the following factors:

With negative impact,

- 920 M.€ redemption of the CoCo's, which qualified as Common Equity Tier 1 capital, concluding the repayment of those instruments to the State;
- consolidated net loss of 164 M.€;
- negative variances arising from changes to actuarial assumptions (impact of -75 M.€ on accounting shareholders' equity).

With positive impact,

- public exchange offer of new ordinary shares for subordinated debt and preference shares which gave rise to a 113 M.€ increase in accounting shareholders' equity;
- 286 M.€ decrease in unrealised losses relating to the portfolio of available-for-sale assets (fair value reserve, net of deferred taxes);
- sale of the subordinated bonds of European insurers with a positive impact on CET1 of 86 M.€;
- adherence to the special regime applicable to deferred tax assets, with a positive impact on CET1 of 245 M.€;
- 155 M.€ increase in eligible minority interests explained by the increase in risk-weighted assets in international operations (described in the box "Equivalent regulation and supervision").

Core Tier 1 ratio
At 31 December 2014[1]

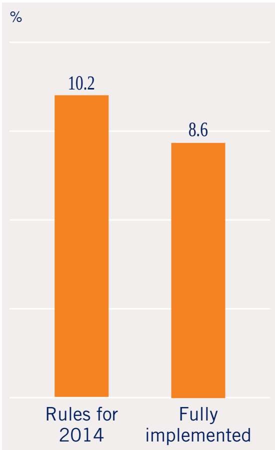


Chart 40

Risk-weighted assets[1]
Fully implemented

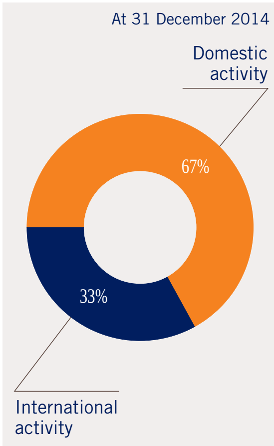


Chart 41

1) Pro forma figures at 31 December 2014 considering the adherence to the special deferred tax asset (DTA) regime approved at the Shareholders' General Meeting held on 17 October 2014 and the application of the new risk weightings applied to Banco BPI's indirect exposure to the Angolan State and to BNA, expressed in Kwanza. The application of both the alterations begins on 1 January 2015.

The 3.5 th.M.€ increase in risk-weighted assets (pro forma) is explained by:

- 4.5 th.M.€ increase in risk-weighted assets in international operations by means of the 100% weighting of Banco de Fomento Angola's (50.1% held by BPI) exposure in kwanzas to the Angolan State and to BNA, whereas previously the weighting was 0% or 20% (see box "Regulatory and supervisory equivalence");
- decrease in risk-weighted assets in domestic operations, which primarily reflects the contraction in the loan portfolio.

Leverage and liquidity ratios (CRD IV / CRR)
At 31 December 2014 the Leverage and Liquidity ratios were as follows:

- phasing-in Leverage ratio: 5.9%[1];
- fully-implemented Leverage ratio: 5.2%[1];
- fully-implemented Liquidity Coverage Ratio (LCR): 124%;
- fully-implemented Net Stable Funding Ratio (NSFR): 99%.

COMPREHENSIVE ASSESSMENT CARRIED OUT BY THE ECB

Banco BPI was subjected to the Comprehensive Assessment carried out by the European Central Bank (ECB) covering 130 European banks in cooperation with the respective national authorities prior to assuming its banking supervision functions in November 2014, within the framework of the Single Supervisory Mechanism. This exercise involved an Asset Quality Review (AQR) and a Stress Test predicated on a baseline scenario and an adverse scenario.

At BPI, the aggregate adjustments stemming from the asset quality review represented -0.1% of CET1 capital, while BPI records in the AQR and in the stress tests, in both scenarios, CET1 capital ratios above the benchmark thresholds (8% in AQR in the baseline scenario and 5.5% in the adverse scenario).

BPI attained the following results:

CET1 ratio on 31 Dec. 2013	**15.28%[2]**
Aggregate adjustments stemming from the AQR	(0.12%)
CET 1 ratio adjusted by the AQR	**15.16%**
Aggregate adjustments stemming from the baseline scenario for the combined Stress Test exercise of the EBA and the ECB, relative to the lowest capital level over the 3 year time horizon	(0.24%)
CET 1 ratio after adjustment by the baseline scenario	**14.91%**
Aggregate adjustments stemming from the Stress Test's adverse scenario conducted by the EBA and the ECB relative to the lowest capital level over a 3-year time horizon	(3.56%)
CET 1 ratio after adjustment by the adverse scenario	**11.60%**

Table 24

These results attained by BPI were the best amongst the Iberian banks in the AQR and in the stress test baseline scenario and the second best in that test's adverse scenario.

1) Pro forma considering the adherence to the special deferred tax asset regime and the alteration to the risk weightings applied to the exposure to the Angolan State and to BNA.
2) Ratio in December 2013 calculated according to the EBA's rules for purposes of the exercise.

SPECIAL REGIME APPLICABLE TO DEFERRED TAX ASSETS

BPI approved at the Bank's General Meeting held on 17 October 2014 adherence to the special regime applicable to deferred tax assets (DTA) laid down in Law no. 61 / 2014 of 26 August. This Special Regime applies to deferred tax assets that have resulted from the non-deduction of expenses and negative net asset variations from losses related to loan impairments and to post-employment or long-term Employee benefits.

The regime, which came into force on 1 January 2015, allows the inclusion of those deferred taxes in Common Equity Tier 1 capital, while not being subject to eligibility limits.

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

The impacts on the Common Equity Tier 1 (CET1) ratios are as follows:

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

EQUIVALENT REGULATION AND SUPERVISION

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

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

This means that, as from 1 January 2015, Banco BPI's indirect exposure in kwanzas to the Angolan State and to BNA shall cease to be the object of a weighting for capital ratio purposes of 0% or 20%, as the case may be, and is now the object of a 100% weighting.

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

- increase in risk-weighted assets of 4 479 M.€ in international operations: risk-weighted assets rose from 3 667 M.€ to 8 147 M.€;
- 173 M.€ increase in CET1, explained by the increase in eligible minority interests[1] (+155 M.€) as a consequence of the increase in weighted assets, coupled with a decrease in the deductions of equity interests in credit institutions and insurers (+18 M.€) via the higher benchmark limits.

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

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

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

EBA'S RECAPITALISATION EXERCISE AND BPI'S RECAPITALISATION PLAN

BPI completes redemption of the total CoCo's in June 2014

In the 1st half of 2014, Banco BPI redeemed 920 M.€ of the contingent convertible subordinated bonds (CoCo) – which qualified as CET1 –, concluding 3 years prior to the legally-prescribed term the repayment of the entire holding of those bonds subscribed by the Portuguese State in June 2012 in the amount of 1 500 M.€.

The subscription of those capital instruments by the State formed part of the Recapitalisation Plan that BPI executed in 2012 in order to comply with the recapitalisation exercise proposed by the European Banking Authority (EBA), the results of which were announced in December 2011. Since BPI has an adequate capitalisation situation, the aforesaid exercise identified for BPI temporary capital requirements of 1.4 th.M.€, which essentially resulted from the revaluation at market prices of the exposure to Portuguese sovereign debt.

In the span of 2 years, Banco BPI repaid in full to the State:

- realised a 200 M.€ capital increase in August 2012 reserved for shareholders, the proceeds of which were immediately utilised to repurchase from the Portuguese State part of the instruments subscribed by it;
- redemption of 1.3 th.M.€ three years ahead of the initial projected timetable for redemptions.

	29 Jun. 12	13 Aug. 12	4 Dec. 12	13 Mar. 13	16 Jun. 13	19 Mar. 14	25 Jun. 14
Initial subscription	1500						
Redemption		-200	-100	-200	-80	-500	-420
Outstanding amount	1500	1300	1200	1000	920	420	0

The Bank incurred during that period an interest cost of 167.5 M.€ associated with the bonds subscribed by the Portuguese State.

	Jun. 12	2012 (2nd half)	2013	2014 (1st half)
CoCo at the end of the period (M.€)	1 500	1 200	920	0
Average interest rate	-	8.50%	8.63%	8.75%
Cost with interests (M.€)	-	55.9	84.9	26.7

Table 25

Subsequent to the subscription of the CoCo by the State, Banco BPI presented to the State and the European Union's Directorate General for Competition ("DGComp") a Restructuring Plan which laid down quantitative targets for domestic operations to be achieved by 31 December 2015 (presented in the table below).

By the end of 2014, BPI had met all the quantitative goals agreed to with the DGComp, thereby completing the Restructuring Plan.

	Quantitative targets agreed to with DGComp to 2015	Fulfilled 31 Dec. 14	
"Core" assets in domestic activity (M.€)	≤ 30 030	27 691	✓
Number of commercial units in Portugal	≤ 684	636	✓
Number of Employees in the domestic activity	≤ 6 000	5 962	✓
Amount of CoCo (M.€)	0	0	✓

Table 26

DOMESTIC OPERATIONS

RESULTS OF DOMESTIC OPERATIONS

In 2014, the **BPI Group's domestic operations** recorded a net loss of 289.7 M.€.

The result of domestic operations was negatively affected by non-recurring costs and losses of 264.3 M.€.

Excluding those non-recurring costs and losses, domestic operations generated a loss of 25.5 M.€.

The more recurrent nature of earnings, a loss of 25.5 M.€, is explained:

- by a depressed revenue base, above all as regards net interest income, by the high cost of time deposits (1.5% above Euribor) against a backdrop of Euribor rates at levels of close to zero and the weak demand for credit, which is mirrored in the contraction of the loan portfolio with negative volume effects on net interest income and also impacts the behaviour of commercial banking fees;
- by a credit risk cost corresponding to 0.66% of the loan portfolio, which in spite of a drop relative to the historical peak recorded in 2013 (0.98%), remains above the historical average level of 0.27%[1];
- by the cost-rationalisation measures that have been gradually implemented in domestic operations and which have partially offset the negative effects referred to previously. Since 2007, costs (excluding non-recurring items) registered a nominal decrease of 16%, which corresponded to an annual saving of 95 M.€.

Domestic activity net profit

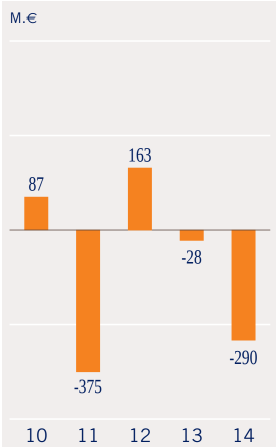


Chart 42

Domestic activity ROE

Chart 43

NON-RECURRENT IMPACTS IN 2014

The non-recurrent impacts on the results from domestic operations in 2014 were a negative 264.3 M.€ (after taxation) and corresponded to the following costs and losses:

- 137.5 M.€ loss (105.9 M.€ after taxation) realised on the sale of Portuguese and Italian medium and long-term Public Debt;
- interest costs of 26.7 M.€ (20.5 M.€ after taxation) relating to the contingent convertible subordinated bonds (CoCo), incurred in the first six months of the year, bearing in mind that the CoCo were fully redeemed in June;
- 32.5 M.€ cost (23.1 M.€ after taxation) relating to early-retirement costs;
- impairment charges of 22.9 M.€ (16.7 M.€ after taxation) for private-equity and other equity interests;
- 15.6 M.€ tax charge relating to the levy imposed on the financial sector;
- 50.9 M.€ write-off of deferred tax assets relating to 2011 tax losses, given the diminished prospect of the full utilisation of the tax-loss carry forward which comes to an end in 2015;
- write-off of 23.3 M.€ of deferred taxes relating to temporary differences by virtue of the reduction in the corporate income tax rate (IRC in Portuguese) from 23% to 21% in 2015. The lower IRC rate gives rise to a decrease in future taxes, but has an immediate negative impact due to the recalculation of deferred taxation;
- miscellaneous non-recurring costs[2] of 11.0 M.€ (8.2 M.€ after taxation).

1) Average indicator in the 10 years from 2002 to 2011, period prior to the peaks attained in 2012 (0.91%) and 2013 (0.98%).
2) Costs with branches closing, adjustment of remuneration of governing bodies following the full repayment of CoCo's, calculation of seniority bonuses as a result of changes in assumptions, costs with Asset Quality Review Consultants and extraordinary payment of preferred coupon.

Net operating revenue excluding the non-recurring impacts was 616 M.€, which permitted covering the recurring operating costs (489 M.€), thereby resulting in a positive operating profit of 127 M.€.

The indicator "operating costs as a percentage of net operating revenue", excluding non-recurring impacts, was situated at 79% in 2014.

This profit was not, however, sufficient to accommodate the impairments component (for loans and other purposes) of 173 M.€. The pre-tax net loss was therefore 46.8 M.€.

Domestic activity income statement

Amounts in M.€

			2013[3] Proforma	2013	2014	ΔM.€	Non-recurring impacts in 2014	2014 excl. non--recurring
Net interest income (narrow sense)		1	255.0	254.4	248.7	(5.7)	(26.7)	275.4
Other income[1]		2	29.4	30.0	29.0	(1.0)		29.0
Net interest income	*[= 1 + 2]*	3	**284.3**	**284.4**	**277.7**	**(6.7)**	**(26.7)**	**304.4**
Technical result from insurance contracts		4	24.8	24.8	34.4	+9.6		34.4
Commissions and other fees (net)		5	254.9	256.5	246.3	(10.2)		246.3
Profits from financial operations		6	170.8	171.6	(92.7)	(264.3)	(137.5)	44.8
Operating income and charges		7	(19.8)	(21.6)	(16.9)	+4.6	(2.7)	(14.3)
Net operating revenue	*[= Σ 3 to 7]*	8	**715.0**	**715.7**	**448.8**	**(266.9)**	**(166.9)**	**615.6**
Personnel costs, excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan		9	302.5	302.5	302.1	(0.4)	5.8	296.3
Outside supplies and services		10	178.0	177.9	178.5	+0.6	2.5	176.0
Depreciation of fixed assets		11	18.1	18.1	16.7	(1.4)		16.7
Operating costs excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan	*[= Σ 9 to 11]*	12	498.6	498.5	497.2	(1.2)	8.3	488.9
Early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan[2]		13	20.0	20.0	32.5	+12.5	32.5	0.0
Operating costs	*[= 12 + 13]*	14	518.6	518.5	529.7	+11.2	40.7	488.9
Operating profit	*[= 8 - 14]*	15	**196.5**	**197.2**	**(80.9)**	**(278.1)**	**(207.6)**	**126.7**
Recovery of loans written-off		16	15.3	15.3	14.0	(1.3)		14.0
Loan provisions and impairments		17	264.3	264.3	172.5	(91.8)		172.5
Other impairments and provisions		18	(14.2)	(14.2)	37.9	+52.1	22.9	15.0
Profits before taxes	*[= 15 + 16 - 17 - 18]*	19	**(38.3)**	**(37.5)**	**(277.3)**	**(239.7)**	**(230.5)**	**(46.8)**
Corporate income tax		20	5.0	5.0	26.3	+21.3	33.8	(7.4)
Equity-accounted results of subsidiaries		21	16.3	16.3	14.6	(1.7)		14.6
Minority interests		22	1.1	2.1	0.7	(1.4)		0.7
Net profit	*[= 19 - 20 + 21 - 22]*	23	**(28.2)**	**(28.3)**	**(289.7)**	**(261.4)**	**(264.3)**	**(25.5)**
Cash flow after taxation	*[= 23 + 11 + 17 + 18]*	24	**240.0**	**239.8**	**(62.7)**	**(302.6)**	**(241.4)**	**178.6**

Table 27

1) Unit links gross margin, income from equity instruments and commissions associated with amortised cost (net).
2) In 2013, the change to the calculation of the death subsidy in the wake of the publication of Decree-Law 13 / 2013 gave rise to the recording of a gain of 3.3 M.€ in that year.
3) Pro forma Dec.13: considering the retrospective application of IFRS 10. According to that standard, the BPI Group started in 2014 to fully consolidate the holdings in BPI Obrigações Mundiais, in Imofomento and in BPI Strategies, and to recognise under liabilities the minority interests in the fully-consolidated unit trust funds.

Income

Net interest income

Narrow net interest income was down 2.2% (-5.7 M.€). This behaviour is essentially explained by the following factors:

- 58 M.€ decline in interest expense relating to the contingent convertible subordinated bonds (CoCo), fully redeemed in June and the cost of which was 27 M.€ in 2014, offset by a reduction of 55 M.€ in interest income from the portfolio of public-debt securities, which totalled 35 M.€ in 2014;
- the positive effect of the decline in the average cost of time deposits, from 1.9% to 1.5% above Euribor, was virtually cancelled out by the negative volume effect of the decreased loan portfolio and, to a lesser extent, by the lower spreads seen in the lower-risk corporate segment.

Net interest income and technical result of insurance contracts

Amounts in M.€

		2013	2014	Δ%
Narrow net interest income	*1*	254.4	248.7	(2.2%)
Gross margin on unit links	*2*	3.0	5.0	67.1%
Income from equity instruments	*3*	3.7	3.6	(1.2%)
Commissions associated with amortised cost	*4*	23.4	20.4	(12.7%)
Net interest income *[= Σ 1 to 4]*	*5*	**284.4**	**277.7**	**(2.4%)**
Technical result of insurance contracts	*6*	24.8	34.4	38.9%
Total *[= 5 + 6]*	*7*	**309.2**	**312.1**	**0.9%**

Table 28

It is worth noting that:

- the interest margin continues to be penalised by an environment characterised by Euribor rates at all-time lows, which reflects itself directly on the margin earned on sight deposits, and by the high cost of time deposits, notwithstanding the adjustment currently underway;
- the contribution to net interest income from the public debt securities portfolio fell significantly throughout the year as a result of the drop in Treasury Bill yields on the primary market and the smaller portfolio. At the close of 2014, this portfolio was composed of:
  - 2.5 th.M.€ of Treasury Bills with an average purchase yield of 0.4%;
  - 1.4 th.M.€ of Portuguese and Italian medium and long-term public debt, whose average purchase yield after deducting the cost of hedging interest-rate risk was 0.2%.

On the other hand, the contribution from capitalisation insurance – the earned margin of which is essentially recorded under the captions “unit links gross margin” and “technical result from insurance contracts” – rose by 11.7 M.€. This trend is explained by the strong expansion in those resources’ portfolio, with an average unit margin of 1.0% in 2014. The aggregate financial margin and the technical result from insurance contracts improved by 0.9%.

Trend in net interest income and results from capitalisation insurance

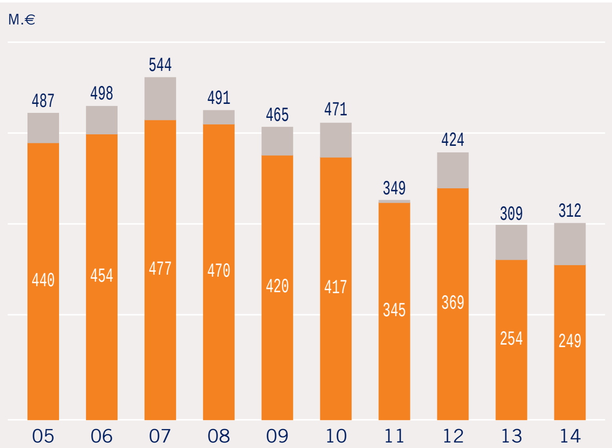


Chart 44

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

Loans and deposits spread
Quarterly average interest rates

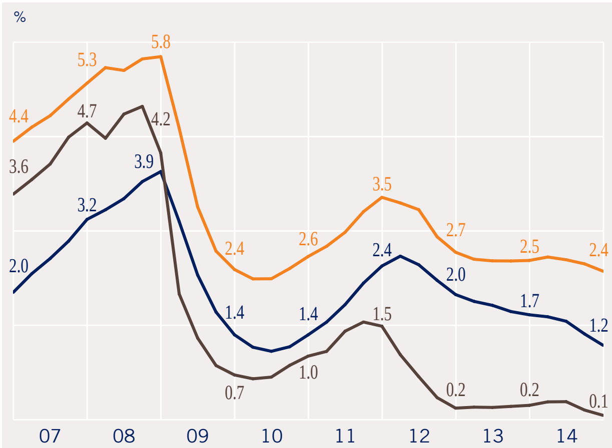


Chart 45

- Loans
- Deposits
- Euribor 3-months

Average interest rates on remunerated assets and liabilities

Amounts in M.€

			2013			2014		
			Average balance	Interest	Average interest rate	Average balance	Interest	Average interest rate
Loans to Customers								
Companies, institutionals and project finance		1	9 469.2	314.6	3.3%	8 068.1	260.1	3.2%
Mortgage loans		2	11 159.5	141.8	1.3%	10 814.7	146.5	1.4%
Other loans to individuals		3	946.4	68.1	7.2%	832.3	60.1	7.2%
Loans to small businesses		4	1 485.5	59.7	4.0%	1 379.1	57.5	4.2%
Other		5	914.6	15.8	1.7%	922.3	13.9	1.5%
	[= Σ 1 to 5]	6	**23 975.1**	**600.0**	**2.5%**	**22 016.5**	**538.2**	**2.4%**
Customer resources[1]		7	19 645.6	338.4	1.7%	20 026.3	290.7	1.5%
Other income and costs		8		(7.1)			1.2	
Narrow net interest income	*[= 6 - 7 + 8]*	9		**254.4**			**248.7**	
Interest-earning assets[2]		10	32 471.4			29 230.4		
Interest-bearing liabilities[2]		11	32 418.4			29 110.6		
Unitary interest margin	*[= 9 / 10]*	12			**0.78%**			**0.85%**
Intermediation margin (= interest rate on loans – interest rate on Customer resources)	*[= 6 - 7]*	13			0.78%			0.99%
Narrow net interest income as % of ATA		14			0.66%			0.69%
Euribor 3 months (annual average)		15			0.22%			0.21%
Euribor 3 months (3 month moving average)		16			0.21%			0.23%

Table 29

The intermediation unit margin – defined as the margin between lending interest rate and the cost of deposits – improved from 0.8% to 1.0%. In this respect, it is worth referring to the following explanatory factors:

- with positive effect, the decrease in the negative margin on time deposits[3] of 0.33%, from -1.9% in 2013 to -1.5% in 2014, generated a price effect on net interest income of +43 M.€. This improvement stems from the gradual adjustment to the remuneration of time deposits at the time of renewal or new contracting. It should be pointed out that the portfolio's quarterly average margin declined from 1.7% in the 4th quarter of 2013 to 1.3% in the 4th quarter of 2014, while the margin on new deposits contracted in December 2014 was situated at 0.5% on average;
- with negative effect, the 0.05% contraction in the average spread on the loan portfolio to 2.1%, which generated a price effect of -11 M.€. The average spreads on the major segments' portfolio in 2014 stood at 2.7% in loans to companies, project finance and the public sector, 3.8% in loans to small businesses and 1.0% in mortgage loans.

The negative volume effect of the contraction in the loan portfolio[2], whose average balance decreased by 2.0 th.M.€ (-8.2%) in 2014, practically cancelled out the improvement in the intermediation unit margin.

1) Deposits, cheques, payment orders and other resources.
2) BPI Vida e Pensões' remunerated assets and liabilities (namely on the assets side, securitised loans and the portfolio of securities recorded under the caption Financial assets held for trading, and on the liabilities' side, capitalisation insurance) and corresponding interest income and expense were excluded from the table for the reason that the interest income and expense earned on capitalisation insurance is essentially recorded in the captions "Unit links gross margin" and "Technical results of insurance contracts".
3) Margin on time deposits = Euribor – interest rate on time deposits.

Commissions

Commissions and other net income declined by 4% (-10.2 M.€) in 2014. The drop in commercial banking commissions (-9.4 M.€), which account for 77% of total commission, was the principal factor explaining the trend in total commissions.

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

			2013	2014	Δ%
Commercial banking					
Cards		1	61.3	59.9	(2.3%)
Loans and guarantees		2	36.8	32.8	(10.9%)
Intermediation of insurance products		3	39.5	40.7	2.9%
Primary and capital market operations		4	16.9	11.4	(32.3%)
Deposits and related services		5	23.0	21.8	(5.2%)
Securitised loans		6	8.6	8.1	(6.1%)
Banking services		7	4.9	5.1	3.9%
Other		8	6.8	8.7	28.6%
	[= Σ 1 to 8]	9	**197.8**	**188.5**	**(4.7%)**
Asset management		10	**42.3**	**41.0**	**(3.1%)**
Investment Banking					
Brokerage		11	9.9	11.8	18.9%
Corporate finance		12	3.4	3.0	(12.3%)
Primary market operations		13	1.4	1.0	(29.1%)
Other		14	1.5	1.0	(36.5%)
	[= Σ 11 to 14]	15	**16.3**	**16.8**	**2.9%**
Total	*[= 9 + 10 + 15]*	16	**256.5**	**246.3**	**(4.0%)**

Table 30

Results from financial operations

The results from financial operations were a negative 92.7 M.€ in 2014, which is mainly ascribable to the losses of 137.5 M.€ realised on the sale of Portuguese and Italian public debt.

In the previous year, the results from financial operations were a positive 171.6 M.€, benefiting from the gains of 129 M.€ realised on the sale of Portuguese Treasury Bonds which had been acquired in 2012 with high yields.

Profits from financial operations Amounts in M.€

			2013	2014	Δ M.€
Operations at fair value					
Equities[1]		1	8.9	11.3	+2.3
Interest rate		2	4.1	(6.4)	(10.5)
Structured products[2]		3	0.6	(0.0)	(0.6)
Hedge funds		4	0.8	1.2	+0.4
Currency[3]		5	7.8	8.9	+1.1
Repurchase of liabilities and other gains in bonds		6	13.0	25.3	+12.4
	[= Σ 1 to 6]	7	**35.1**	**40.3**	**+5.2**
Available for sale assets					
Bonds		8	127.0	(134.9)	(261.9)
Equities		9	5.3	0.1	(5.2)
Other		10	0.0	(0.2)	(0.2)
	[= Σ 8 to 10]	11	**132.3**	**(135.0)**	**(267.3)**
Subtotal	*[= 7 + 11]*	12	**167.4**	**(94.7)**	**(262.1)**
Financial income from pensions					
Expected pension funds return		13	46.7	43.3	(3.4)
Interest cost		14	(42.5)	(41.3)	+1.2
	[= 13 + 14]	15	**4.2**	**2.0**	**(2.2)**
Total	*[= 12 + 15]*	16	**171.6**	**(92.7)**	**(264.3)**

Table 31

Other operating losses and gains

The caption "other operating gains / (losses)", with a negative figure of 16.9 M.€ in 2014 (-21.6 M.€ in 2013), essentially refers to the cost captions: contributions to the Deposit Guarantee Fund (-3.3 M.€), contributions to the Resolution Fund (-2.7 M.€), subscriptions and donations (-4.2 M.€), taxes (-5.5 M.€).

1) Relating to a long-short equities portfolio and a PSI-20 futures arbitrage portfolio.
2) Bonds whose yield is indexed to the equities, commodities and other markets, with total or partial protection of the capital invested at the end of the period.
3) Gains resulting from the currency margin on operations carried out with the Customer commercial network.

Operating costs

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation – rose by 2.2% in 2014. This behaviour was influenced by costs of 32.5 M.€ with early retirements realised in the year (in 2013 included non-recurring personnel costs of 20 M.€[1]).

In 2014, BPI closed 46 branches in Portugal (28 in the 2nd quarter and 18 in the 4th quarter), the staff headcount in domestic operations decreased 5.0% (down 2.9% when taking into consideration the average workforce). It is worth mentioning that whilst the positive impact in the income statement will only be reflected as from the next financial year, the cost of the implementation of those measures is recognised immediately, thereby affecting the 2014 result.

Excluding early-retirement costs, operating costs remained stable in 2014.

The indicator "operating costs as a percentage of net operating revenue", excluding non-recurring impacts from both the cost and income perspectives, was situated at 79% in 2014. The indicator's unfavourable behaviour since 2008 is explained by the contraction in the income base.

Net operating revenue

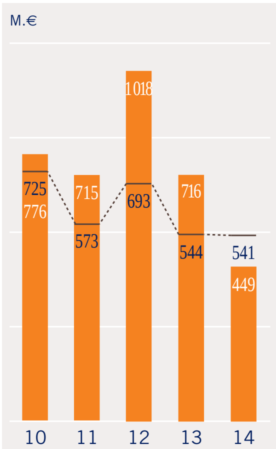


Chart 46

■ Net operating revenue
– Net operating revenue excl. profits from financial operations

Operating costs

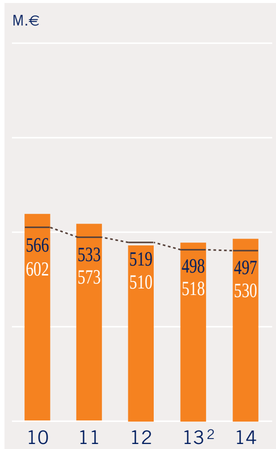


Chart 47

■ Operating costs
– Operating costs, excl. costs with early retirements

Operating costs Amounts in M.€

			2013	2014	Δ%
Personnel costs, excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan		1	302.5	302.1	(0.1%)
Outside supplies and services		2	177.9	178.5	0.3%
Operating costs before depreciation and amortisation	[= 1 + 2]	3	**480.4**	**480.6**	**0.0%**
Depreciation of fixed assets		4	18.1	16.7	(7.8%)
Operating costs excluding early-retirement costs and those arising from the alteration to the conditions of the retirement-benefit plan	[= 3 + 4]	5	**498.5**	**497.2**	**(0.2%)**
Costs with early retirements		6	23.3	32.5	39.2%
Alteration to the conditions of the retirement-benefit plan		7	(3.3)		
Operating costs	[= 5 + 6 + 7]	8	**518.5**	**529.7**	**2.2%**
Efficiency ratio excl. non-recurring items[3,4]		9	86.5%	79.4%	

Table 32

1) Early-retirement costs of 23.3 M.€ and a 3.3 M.€ gain resulting from the change to the calculation of the death subsidy (Decree-Law 13 / 2013).
2) Excludes gain from change to the calculation of the death subsidy.
3) Operating costs (personnel costs, OSS and depreciation and amortisation) as a percentage of net operating revenue.
4) Excluding non-recurring impacts from both the costs and income perspectives.
In 2013:
Non-recurring impact on net operating revenue: (i) gains of 129.0 M.€ realised on the sale of Portuguese Treasury Bonds and (ii) net gains of 13.0 M.€ relating to liability repurchase operations and bond gains.
Non-recurring impacts on costs: cost of 20 M.€ resulting from (i) early-retirement costs of 23.3 M.€, (ii) 3.3 M.€ gain resulting from the change to the calculation of the death subsidy (Decree-Law 13 / 2013) and (iii) 2.2 M.€ costs incurred with State consultants.
In 2014 (see pages 75 and 76):
Non-recurring impacts on net operating revenue: costs and losses of 166.9 M.€.
Non-recurring impacts on costs: costs of 40.7 M.€.

Personnel costs

Salary and pension costs (excluding early-retirement costs) remained stable in 2014 (-0.1%). The principal factors behind this trend were:

- 2.9% reduction in the average headcount in domestic operations;
- zero growth in the fixed component of remuneration under the salary scale review in Portugal as defined by the Vertical Collective Labour Agreement for the banking sector;
- non-recurring charges of 5.8 M.€, of which 2.9 M.€ refers to the awarding of 50% of the fixed and variable remuneration relating to the 2012 financial year to the governing bodies, which amounts were suspended in terms of the Recapitalisation Plan with the State's backing, and 2.9 M.€ relating to the higher costs associated with long-service bonuses due to the change in the actuarial assumptions.

Operating costs
In 2014

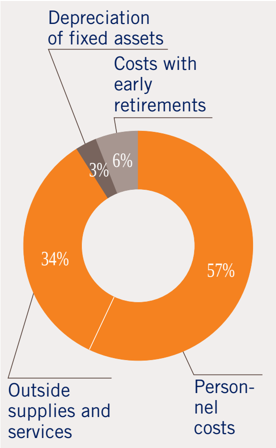


Chart 48

Personnel costs

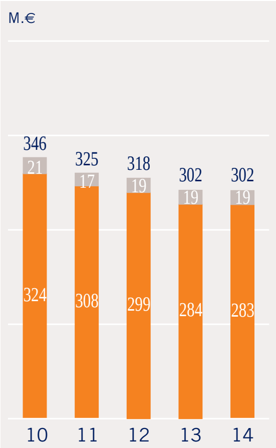


Chart 49

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

Personnel costs — Amounts in M.€

			2013	2014	Δ%
Remunerations					
Fixed remunerations		1	209.5	208.5	(0.4%)
Variable remunerations		2	18.6	18.6	0.3%
Other[1]		3	10.1	10.3	1.4%
Remunerations	*[= Σ 1 to 3]*	4	**238.2**	**237.4**	**(0.3%)**
Pension costs and social charges[2]		5	64.3	64.6	0.5%
Remunerations and pension costs	*[= 4 + 5]*	6	**302.5**	**302.1**	**(0.1%)**
Costs with early retirements		7	23.3	32.5	39.2%
Alterations to the conditions of the retirement – benefit plan[3]		8	(3.3)	0.0	100.0%
Total	*[= Σ 6 to 8]*	9	**322.5**	**334.5**	**3.7%**

Table 33

1) Includes bonuses and motivation incentives for the commercial network, long-service awards, cost of loans to Employees and others.
2) Includes current service cost, other welfare charges, the amortisation of changes to the pension plan conditions.
3) The change to the calculation of the death subsidy in the wake of the publication of Decree-Law 13 / 2013, originated the recording of a gain of 3.3 M.€.

TREND IN OPERATING COSTS IN DOMESTIC OPERATIONS – 2007 TO 2014

Since the initial signs of the international financial crisis began to emerge in 2007, the Bank has embarked on the rationalisation of its operating structure, entailing the gradual downsizing of the branch network and the staff complement deployed in operations in Portugal, in tandem with stringent cost controls.

Operating costs in 2014 (excluding early-retirement costs) represent a nominal reduction of 16% when compared to the respective values in 2007, which in turn corresponds to an annual saving of 95 M.€.

Adjusting for the change in prices, taking into account the effect of the Consumer Price Index (which climbed 8.9% in the period), cost cutbacks since 2007 in real terms were 23%.

Operating costs

Amounts in M.€

	2007	2008	2009	2010	2011	2012	2013	2014	Δ 07 / 14	
									M.€	%
Personnel costs[1]	352.8	349.3	356.7	345.8	325.2	318.5	302.5	302.1	(50.7)	(14.4%)
Outside supplies and services	203.0	196.0	181.3	186.3	182.6	179.9	177.9	178.5	(24.5)	(12.1%)
Depreciation	36.4	40.5	39.5	34.0	25.6	20.4	18.1	16.7	(19.7)	(54.1%)
Operating costs[1]	**592.2**	**585.8**	**577.5**	**566.1**	**533.4**	**518.8**	**498.5**	**497.2**	**(95.0)**	**(16.0%)**

Table 34

Between 2007 and 2014, the workforce employed in domestic operations was cut by 1 662 Employees (-22%), while the distribution network in Portugal was reduced by 119 units (-16%). Since the maximum figures reached in 2008, the decrease in the staff headcount was 1 805 Employees (-23%), while the distribution network was downsized by 171 units (-21%).

	2007	2008	2009	2010	2011	2012	2013	2014	Δ 07 / 14	
									No.	%
Employees	7 624	7 767	7 428	7 297	6 658	6 400	6 274	5 962	(1 662)	(21.8%)
Distribution network in Portugal	755	807	804	803	746	734	683	636	(119)	(15.8%)

Table 35

The deleveraging of the domestic operations' balance sheet was reflected in the 9% decline in assets since 2007 (or -20% since its peak in 2009) and the -13% decrease in loans and guarantees (-19% since 2009).

Nonetheless, productivity indicators posted an improvement during this period as a consequence of the implementation of rationalisation measures: assets and business volume per Employee have risen by 16% and 21% respectively since 2007.

However, the most recurring revenue base – net interest income, the insurance technical result and commissions – per Employee recorded an unfavourable trend, declining by 22% since 2007. This behaviour is primarily explained by the contraction in the unitary interest margin (as % ATA) from 1.44% in 2007 to 0.77% in 2014, as a consequence of the higher cost of time deposits and a backdrop of historically-low Euribor rates.

Selected indicators by branch and by Employee

Amounts in thousands of €

	2007	2008	2009	2010	2011	2012	2013	2014	Δ 07 / 14
By Employee									
Assets	5 020	5 040	5 876	5 656	5 756	6 197	5 952	5 845	16%
Business volume[2]	7 516	7 716	8 132	8 380	8 765	8 559	8 553	9 071	21%
Net interest income, technical results from insurance and commissions	116	97	96	99	85	107	89	91	(22%)
Operating costs, excluding costs with early retirements	82	76	77	76	76	79	78	81	(1.5%)
By branch									
Assets	49 773	47 679	53 426	50 574	50 494	53 091	53 657	53 692	8%
Business volume[2]	74 515	72 995	73 934	74 941	76 890	73 333	77 097	83 328	12%

Table 36

1) Excluding early-retirement costs and excludes in 2012 and 2013 gains relating to the amortisation of the changes to the death-subsidy plan.
2) Loans, guarantees and total Customer resources.

Employee pension liabilities

At 31 December 2014, the present value of liabilities which the bank has to bear amounts to 1 278 M.€. The net assets of the Employees' pension funds totalled 1 249 M.€[1], which covered 100% of the funding of pension liabilities under payment and 95% of the pension liabilities of current Employees on the payroll.

Employees' pension liabilities and pension funds

Amounts in M.€

		2013	2014
Pension liabilities	1	1 082.4	1 278.4
Pension funds[1]	2	1 131.9	1 248.7
Funding surplus / (shortfall)	3	49.6	(29.7)
Financing of pension liabilities	4	**104.6%**	**97.7%**
Total actuarial deviation[2]	5	(92.4)	(184.0)
Pension funds return	6	16.2%	7.7%

Table 37

Pension funds' income

In 2014, the Bank's pension funds posted a return of 7.7%, which is higher than the discount rate and therefore gave rise to a positive actuarial income variance of 45 M.€. It is worth noting that, up until the end of 2013, the actual return achieved by Banco BPI's pension fund since its creation in 1991 was 9.3% per annum, on average, whilst in the past ten, five and three years the actual annual returns were 7.1%, 7.8% and 15.1%, respectively.

Actuarial assumptions

The balance of actuarial variances posted a negative change of 92 M.€ in 2014, from -92 M.€ to -184 M.€, explained by the negative actuarial variations that resulted from the changes to the actuarial assumptions (-149 M.€) and the fund's positive income variances (+45 M.€), as well as the trend in the salary scales and other factors (+13 M.€).

In June 2014, BPI reduced the discount rates by 0.5 p.p. and cut the rates for salary and pension growth by 0.25 p.p. These changes generated a negative actuarial variance of 12 M.€.

Financing of pension liabilities

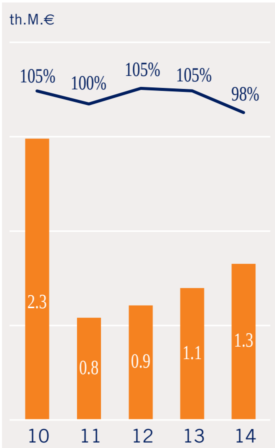


Chart 50

■ Pension liabilities
– Coverage by the pension funds' assets

Banco BPI pension funds' assets
At 31 December 2014

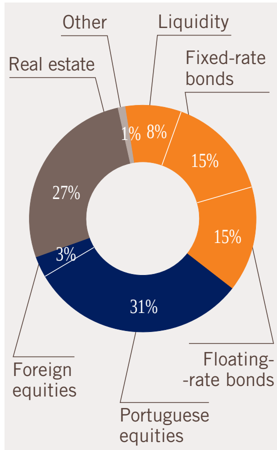


Chart 51

Subsequently in December 2014, BPI reduced the discount rates by 1.0 p.p. to 2.5% (at Banco BPI to 2.83%[3] for current Employees and to 2.00%[3] for retirees), and cut by 0.25 p.p. the growth rates for salaries, to 1.00% and that for pensions to 0.5%. These changes as a whole explain in essence a negative actuarial variance (increase in liabilities) of 137 M.€. The impact on common equity tier 1 capital was a negative 68 M.€[4].

Actuarial and financial assumptions

	31 Dec. 13	30 Jun. 14	31 Dec. 14
Discount rate at Banco BPI [3]	4.0%	3.5%	2.5%
Current Employees	4.33%	3.83%	2.83%
Retirees	3.50%	3.00%	2.00%
Discount rate at other companies	4.0%	3.5%	2.5%
Pensionable salary increase rate	1.50%	1.25%	1.0%
Pension increase rate	1.00%	0.75%	0.5%
Mortality table		TV 73 / 77-M – 2 years[5]	
		TV 88 / 90-W – 3 years[5]	

Table 38

1) In 2014 includes contributions of 47 M.€ transferred in the 1st quarter of 2015 to the pension funds. The 2013 figure includes contributions of 2.9 M.€ transferred to the funds at the beginning of 2014.
2) The amount of negative actuarial variances is written off directly from shareholders' equity in accordance with IAS19.
3) At Banco BPI different discount rates are taken into account for current Employees and retirees, which is the same thing as if single discounts rates of 4.0% in Dec. 13, 3.5% in Jun. 14 and 2.5% in Dec.14 had been utilised for the entire population.
4) In calculating CET1 account is taken of the actuarial variance net of associated deferred taxes (-121 M.€), while the surplus funding of the pension funds is no longer deducted (positive impact of 60 M.€) given that the increase in liabilities absorbs the surplus cover. In addition, the decrease in the reference limit for deducting shareholdings in CI's and insurers gives rise to a residual impact of -7 M.€.
5) For the population covered, the age taken into consideration for males is 2 years less than their actual age (M) and 3 years less for females (F) respectively, which is equivalent to assuming a longer life expectancy.

Impairments and provisions

Impairment charges for the year, net of recoveries of loans previously written off, amounted to 196.4 M.€ in 2014 and corresponded to:

- loan impairments (net of recoveries) of 158.5 M.€;
- impairments for other purposes of 37.9 M.€. This figure includes impairment charges of 22.9 M.€ for private equity and other shareholdings.

Customer loan impairments

Net credit loss, which corresponds to the amount of loan impairments net of loan recoveries, decreased from 249.0 M.€ in 2013 to 158.5 M.€ in 2014.

As a percentage of the loan portfolio's average balance, net credit loss was 0.66% in 2014, which compares with 0.98% in 2013. Notwithstanding the improvement observed, the indicator in 2014 is situated significantly above its average value in the ten years to 2011[1] which was 0.27%.

Impairment charges in 2014 were mainly earmarked for boosting the cover for default situations already previously identified. It is worth noting that the increase in credit risk, adjusted for write-offs and net of recoveries, amounted to 92 M.€ (0.38% of the average portfolio), a figure that is less than the impairment charges, net of recoveries.

Accumulated impairment cover in the balance sheet, not taking into account the value of real guarantees, increased to:

- 104% of loans in arrears for more than 90 days (from 98% in 2013);
- 81% of credit at risk (from 75% in 2013).

Credit-at-risk cover by impairments in the major loan segments at the end of 2014 was: 88% in loans to Portuguese companies, 101% in loans to Spanish companies (Madrid branch portfolio), 91% in loans to small businesses, 62%[2] in mortgage loans and 97% in other loans to individuals.

Cost of risk and net credit loss

Charges in the year

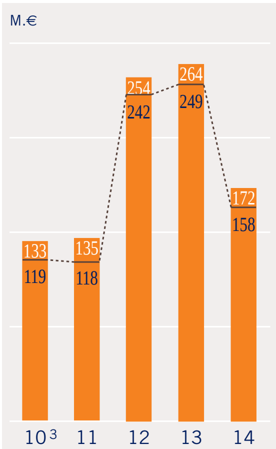


Chart 52

- Loan impairments
- Net credit loss

As % of loan portfolio

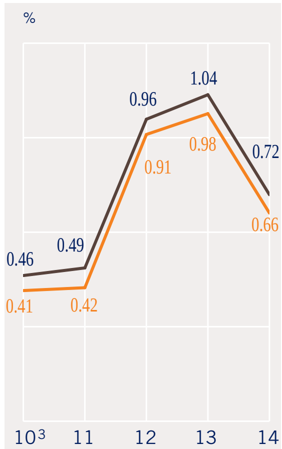


Chart 53

- Loan impairments
- Net credit loss

1) Period prior to the peaks reached in 2012 (0.91%) and 2013 (0.98%).
2) Loan-to-value ratio for the total mortgage-loan portfolio was 57% at the close of 2014.
3) An extraordinary charge of 33.2 M.€ made in 2009 was added to impairments for the year 2010 for having been used.

Loan impairments

Amounts in M.€

		2013				2014			
		Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]	Impairments	As % of loan portfolio[1]	Impairments net of recoveries	As % of loan portfolio[1]
Corporate banking, institutional banking and project finance	*1*	180.6	1.90%	177.0	1.86%	130.9	1.63%	127.9	1.59%
Individuals and small businesses									
Mortgage loans	*2*	51.7	0.45%	50.2	0.43%	35.5	0.32%	34.0	0.30%
Loans to individuals – other purposes	*3*	11.1	1.13%	6.3	0.64%	9.4	1.08%	5.5	0.63%
Loans to small businesses	*4*	14.6	0.99%	9.1	0.62%	4.9	0.35%	(0.8)	(0.06%)
[= Σ 2 to 4]	*5*	77.4	0.55%	65.7	0.47%	49.7	0.37%	38.7	0.29%
Other	*6*	6.3	0.32%	6.3	0.32%	(8.2)	(0.33%)	(8.2)	(0.33%)
Total *[= 1 + 5 + 6]*	*7*	**264.3**	**1.04%**	**249.0**	**0.98%**	**172.5**	**0.72%**	**158.5**	**0.66%**

Table 39

Equity-accounted results of subsidiaries

The contribution of equity-accounted subsidiaries to the results from domestic activity was 14.6 M.€ in 2014.

The 10.7% (-1.7 M.€) decline in the results of equity-accounted subsidiaries when compared to the preceding year is explained by the negative contribution of the insurance subsidiaries – Allianz Portugal (-3.5 M.€) and Cosec (-0.3 M.€).

Equity-accounted results of subsidiaries

Amounts in M.€

		2013	2014	Δ%
Allianz Portugal	*1*	10.5	7.0	(33.2%)
Cosec	*2*	5.8	5.5	(4.7%)
[= 1 + 2]	*3*	16.3	12.5	(23.1%)
Finangeste	*4*	(1.8)	(0.3)	
Unicre	*5*	1.4	2.2	49.5%
Other	*6*	0.4	0.2	(44.6%)
Total *[= Σ 3 to 6]*	*7*	**16.3**	**14.6**	**(10.7%)**

Table 40

1) Average balance of performing loans.

DOMESTIC OPERATIONS' BALANCE SHEET

Total assets employed in domestic operations amounted to 34.8 th.M.€ at the end of 2014.

The domestic operations' balance sheet chiefly reflects the commercial banking business carried on in Portugal. At the end of 2014, Customer loans amount to 23.4 th.M.€, representing 67% of assets, and Customer resources (25.1 th.M.€) constitute the main source of balance sheet funding (72% of assets).

The transformation ratio of deposits into loans in domestic operations, calculated in accordance with Instruction 16 / 2004, stood at 106% at the end of 2014.

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

- BPI has a portfolio of Portuguese public-debt securities of 3.4 th.M.€, of which 2.5 th.M.€ are short-term securities (Treasury Bills), and Italian public debt of 0.6 th.M.€;
- at the end of 2014, the funds raised from the ECB amounted to 1.5 th.M.€;
- the Bank has a portfolio of 6.4 th.M.€ in assets eligible for additional ECB funding;
- debt refinancing needs in the next few years are minimal (255 M.€ up till the end of 2018).

Domestic activity balance sheet structure in 2014

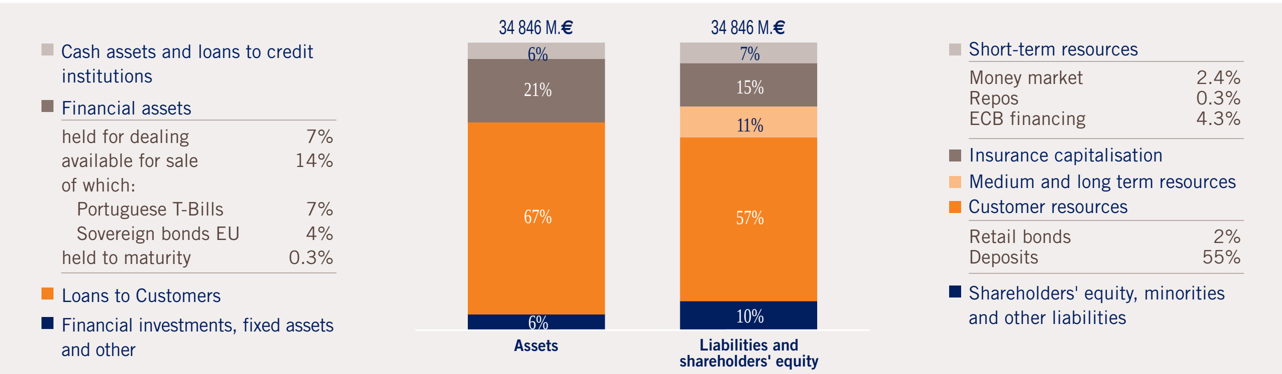


Chart 54

Customer loans

In the domestic operations' arena, the Customer loans portfolio decreased 1 457 M.€ (-5.9%) in 2014. The portfolio's contraction reflects continued weak demand for credit bearing in mind that the revival in private consumption and investment is modest and is influenced by the drop in households' disposable income, by the private business sector's deleveraging and by the consolidation of the public accounts.

Loans to Customers
2010 to 2014

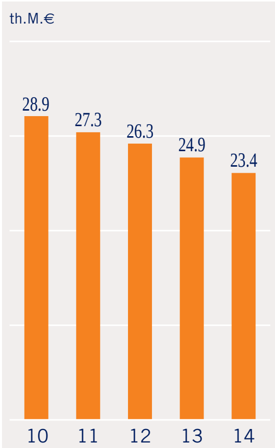


Chart 55

Loan portfolio
Breakdown at 31 Dec. 2014

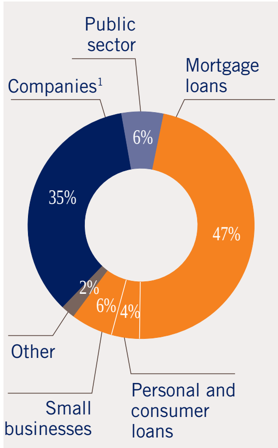


Chart 56

Customer loans portfolio

Amounts in M.€

		2013	2014	Δ%
Corporate banking				
Large companies	1	1 702.8	1 419.9	(16.6%)
Medium-sized companies	2	2 347.0	2 234.3	(4.8%)
[= Σ 1 to 2]	3	**4 049.9**	**3 654.2**	**(9.8%)**
Project Finance – Portugal	4	**1 158.4**	**1 154.7**	**(0.3%)**
Madrid branch				
Project Finance	5	739.5	634.2	(14.2%)
Corporates	6	815.6	671.9	(17.6%)
[= Σ 5 to 6]	7	**1 555.1**	**1 306.1**	**(16.0%)**
Public Sector				
Central Administration	8	104.6	215.4	105.9%
Regional and local administrations	9	771.4	814.0	5.5%
State Corporate Sector – in the budget perimeter	10	192.6	64.1	(66.7%)
State Corporate Sector – outside the budget perimeter	11	863.7	295.4	(65.8%)
Other institutional	12	46.9	35.8	(23.6%)
[= Σ 8 to 12]	13	**1 979.1**	**1 424.7**	**(28.0%)**
Individuals and Small Businesses Banking				
Mortgage loans to individuals	14	11 386.3	11 024.1	(3.2%)
Consumer credit / other purposes	15	601.1	553.9	(7.9%)
Credit cards	16	165.0	166.9	1.2%
Car financing	17	164.3	134.8	(17.9%)
Small businesses	18	1 411.3	1 450.2	2.8%
[= Σ 14 to 18]	19	**13 728.0**	**13 330.0**	**(2.9%)**
BPI Vida e Pensões[2]	20	**1 725.1**	**2 005.7**	**16.3%**
Loans in arrears net of impairments	21	**82.8**	**21.1**	**(74.5%)**
Other	22	**615.0**	**539.4**	**(12.3%)**
Total *[= 3 + 4 + 7 + 13 + Σ 19 to 22]*	23	**24 893.5**	**23 436.0**	**(5.9%)**
Note:				
Bank guarantees	24	1 879.1	1 680.8	(10.6%)

Table 41

1) Corporate banking, project finance, Madrid Branch's portfolio and includes BPI Vida e Pensões loans' portfolio.
2) Securitised loans held by BPI Vida e Pensões (fully consolidated), the BPI Group entity which manages capitalisation insurance.

Loans to medium-sized and large companies in Portugal declined 2.0% (-115 M.€), considering the aggregate Corporate Banking loan portfolio and the securitised loan portfolio of BPI Vida e Pensões which essentially corresponds to bonds and commercial paper issued by major Portuguese companies. This trend represents a slowdown in the loan portfolio's contraction when compared with the changes in the preceding two years, of -4.5% in 2012 and -4.9% in 2013.

The Madrid branch's loan portfolio decreased 16% (-249 M.€), which primarily reflects the Bank's decision not to enter into new syndicated operations in Spain.

Loans to the Public Sector and the State Business Sector posted a year-on-year decrease of 28% (-554 M.€), explained by the repayment of loans by the State business sector following the State's assumption of part of the debt of certain State-controlled companies.

Loans to individuals and small businesses present a year-on-year decline of 2.9% (-398 M.€), which was mainly due to the 362 M.€ (-3.2%) contraction in the mortgage-loans portfolio. The weak demand for home loans explains why the amount contracted annually (0.3 th.M.€) is roughly half of the repayments in the year.

Loans to small businesses, with 2.8% growth, interrupts the downward trend observed since 2008, during which period the portfolio contracted by around 1.2 th.M.€.

Securities and financial investments portfolio

The securities and financial investments portfolio amounted to 7 912 M.€ at the end of 2014. This portfolio includes in addition to available-for-sale financial assets (4 862 M.€), those held for trading, as well as the held-to-maturity investments and participating interests.

Financial assets available-for-sale
2010 to 2014

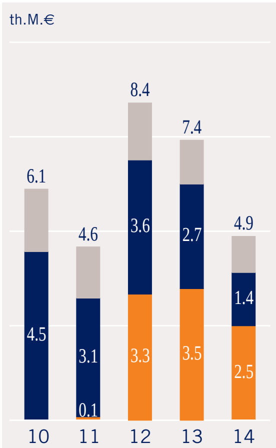


Chart 57

- Other securities
- Other public debt
- Treasury bills

Financial assets available-for-sale
Portfolio at 31 Dec. 2014

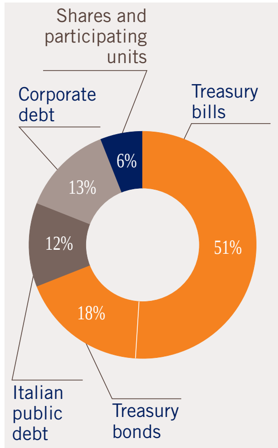


Chart 58

The following were the most salient aspects of the trend in the portfolio of available-for-sale financial assets in 2014:

- sale in the 1st quarter of half the position held in medium and long-term Portuguese and Italian public debt, with a nominal value of 850 M.€ and 487.5 M.€, respectively. Subsequently, the Bank sold a further 110 M.€ (nominal value) of treasury bonds;
- 1.0 th.M.€ decrease in the Treasury Bills portfolio.

Unrealised losses on the portfolio of available-for-sale securities fell from -437 M.€ to -35 M.€. This trend is explained by the sale of the abovementioned medium and long-term public debt, which entailed the recognition in the income statement of losses of 137.5 M.€, and by the appreciation of 264 M.€ in the securities held in the portfolio, above all of Portuguese and Italian public debt as a result of the drop in the respective yields on the secondary market.

Financial assets available-for-sale portfolio

Amounts in M.€

		31 Dec. 13[1] Proforma		31 Dec. 13					31 Dec. 14				
		Book value	Gains (losses)	Acquisition cost	Book value	Gains (losses)[2]			Acquisition cost	Book value	Gains (losses)[2]		
						Securities	Derivatives	Total			Securities	Derivatives	Total
Bonds – public debt													
Portugal	1	5 163.3	(332.1)	5 237.9	5 163.3	(122.0)	(210.1)	(332.1)	3 265.5	3 352.4	82.7	(108.4)	(25.6)
Of which:													
T-Bonds		1 680.8	(340.1)	1 809.2	1 680.8	(129.9)	(210.1)	(340.1)	787.4	865.2	81.3	(108.4)	(27.1)
T-Bills		3 482.5	8.0	3 428.8	3 482.5	8.0		8.0	2 478.0	2 487.2	1.4		1.4
Italy	2	1 057.9	(78.1)	1 003.5	1 057.9	53.0	(131.1)	(78.1)	505.0	565.6	63.2	(77.2)	(14.0)
[= 1 + 2]	3	**6 221.2**	**(410.2)**	**6 241.5**	**6 221.2**	**(68.9)**	**(341.2)**	**(410.2)**	**3 770.5**	**3 917.9**	**145.9**	**(185.5)**	**(39.7)**
Corporate bonds	4	794.1	(41.6)	746.9	794.1	23.1	(64.8)	(41.6)	595.4	630.7	12.9	(34.9)	(22.0)
Equities	5	101.7	16.7	131.1	101.7	16.7		16.7	136.3	120.3	30.4		30.4
Other	6	221.3	(1.8)	309.9	291.3	(1.7)		(1.7)	239.2	193.1	(3.8)		(3.8)
Total *[= Σ 3 to 6]*	7	**7 338.3**	**(436.9)**	**7 429.4**	**7 408.3**	**(30.9)**	**(406.0)**	**(436.9)**	**4 741.3**	**4 862.1**	**185.3**	**(220.4)**	**(35.2)**
Note:													
Fair value reserve after deferred tax assets			(305.2)					(305.2)					(18.8)

Table 42

1) Proforma Dec. 13: considering the retrospective application of IFRS 10. According to that standard, the BPI Group started in 2014 to fully consolidate the equity holdings in BPI Obrigações Mundiais, in Imofomento and in BPI Strategies, and to recognise under liabilities the minority interests in the fully-consolidated unit trust funds.

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

Customer resources

Total Customer resources posted 7.6% year-on-year growth to 28.0 th.M.€. The aggregate of total Customer resources and which also includes Customer placements in third-party financial products amounted to 31.9 th.M.€ at the close of 2014.

Customer deposits grew by 1.1% (+215 M.€) year-on-year. When analysing the behaviour of deposits, account must be taken of the withdrawal in June of 774 M.€ that the IGCP (the Portuguese Treasury and Public Debt Management Agency – Agência de Gestão de Tesouraria e da Dívida Pública) maintained at the bank since the end of 2011 as part of the accord for the partial transfer of pension liabilities to the Social Security entity. The growth in deposits after adjusting for the withdrawal of the aforesaid deposit was 5.5%.

BPI attracted a further 2.1 th.M.€ through the placing of capitalisation insurance, the portfolio of which grew by 65%.

Customer resources
2010 to 2014

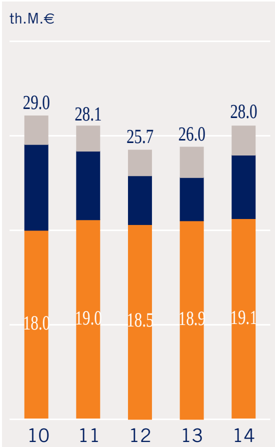


Chart 59

Off-balance sheet
Other on-balance sheet
Deposits

Customer resources
Breakdown at 31 Dec. 2014

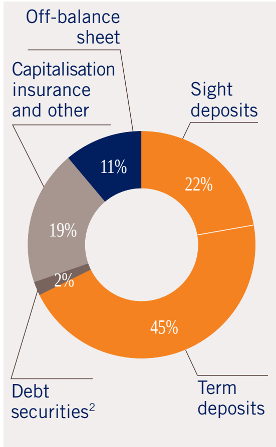


Chart 60

Total Customer resources

Amounts in M.€

			Dec. 13[1] Proforma	2013	2014	Δ%
On-balance sheet resources						
Deposits						
Sight deposits		1	5 028.1	5 029.9	6 392.2	27.1%
Term and savings deposits		2	13 873.0	13 877.0	12 729.7	(8.3%)
	[= 1 + 2]	3	18 901.1	18 906.9	19 121.9	1.1%
Bonds placed with Customers[2]		4	912.0	912.0	692.9	(24.0%)
Subtotal	[= 3 + 4]	5	**19 813.0**	**19 818.9**	**19 814.8**	**(0.0%)**
Insurance capitalisation and PPR (BPI Vida e Pensões) and other		6	3 347.1	3 205.8	5 305.1	65.5%
On-balance sheet resources	[= 5 + 6]	7	**23 160.1**	**23 024.6**	**25 119.9**	**9.1%**
Off-balance sheet resources[3]		8	3 097.7	3 238.7	3 216.2	(0.7%)
Corrections for double counting[4]		9	(238.6)	(238.6)	(331.8)	39.0%
Total Customer resources[5]	[= 7 + 8 + 9]	10	**26 019.2**	**26 024.7**	**28 004.3**	**7.6%**
Other Customer resources						
Public offerings		11	1 160.2	1 160.2	1 006.9	(13.2%)
Third-party funds placed with Customers		12	205.2	205.2	349.4	70.2%
Other third-party securities held by Customers		13	2 762.7	2 762.7	2 586.9	(6.4%)
Total	[= Σ 10 to 13]	14	**30 147.3**	**30 152.9**	**31 947.4**	**6.0%**
Pension Funds[6]		15	2 123.5	2 123.5	2 248.7	5.9%
Of which: pension funds' investments in Customer resources (on and off balance sheet)		16	(255.0)	(255.0)	(308.8)	21.1%

Table 43

1) Pro forma Dec.13: considering the retrospective application of IFRS 10. According to that standard, the BPI Group started in 2014 to fully consolidate the equity holdings in BPI Obrigações Mundiais, in Imofomento and in BPI Strategies, and to recognize under liabilities the minority interests in the fully-consolidated unit trust funds.
2) Structured products (bonds with yield indexed to the equities, commodities and other markets, and with total or partial capital protection at the end of the term), fixed-rate bonds and subordinated bonds issued by the BPI Group and placed with Customers.
3) Unit trust funds, PPR and PPA managed by BPI.
4) Placements of the unit trust funds managed by the BPI Group in deposits and structured products.
5) Corrected for double recording.
6) Includes the BPI Group's Employee pension funds.

INTERNATIONAL OPERATIONS

RESULTS FROM INTERNATIONAL OPERATIONS

International operations contributed 126.1 M.€ in 2014 (95.2 M.€ in 2013) to consolidated net earnings.

The principal contributions to profits from international operations corresponded:

- to the 116.9 M.€ contribution by Banco de Fomento Angola (BFA), relating to the appropriation of 50.1% of its individual net profit (which grew 33% relative to 2013);
- to the 10.6 M.€ contribution from Banco Comercial e de Investimentos (BCI), relating to the appropriation of 30% of its individual profit (recognised in the income statement using the equity method), which corresponds to a 7% year-on-year increase.

In the individual accounts, BFA earned a return on shareholders' equity (ROE) of 35.4% in 2014 while BCI posted a ROE of 23.6%.

The return on average capital employed in international operations after consolidation adjustments was 32.7% in 2014.

International activity net profit

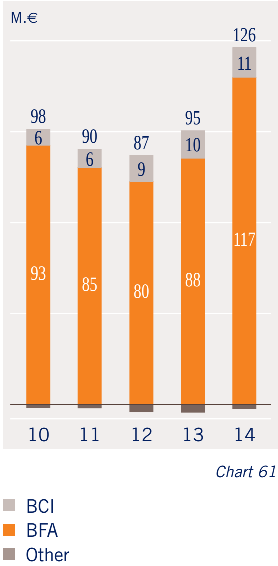


Chart 61

International activity ROE

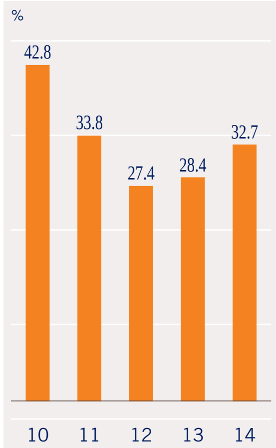


Chart 62

International activity income statement

Amounts in M.€

			2013	2014	Δ M.€
Net interest income (narrow sense)		1	190.3	236.6	+46.3
Net commission relating to amortised cost		2	0.4	0.1	(0.3)
Net interest income	*[= 1 + 2]*	3	**190.7**	**236.7**	**+46.0**
Commissions and other fees (net)		4	53.9	65.9	+12.0
Profits (losses) from financial operations		5	89.9	117.6	+27.7
Operating income and charges		6	(2.1)	(11.3)	(9.2)
Net operating revenue	*[= Σ 3 to 6]*	7	**332.4**	**408.9**	**+76.6**
Personnel costs		8	64.3	68.0	+3.7
Outside supplies and services		9	54.4	59.7	+5.3
Depreciation of fixed assets		10	13.3	14.1	+0.8
Operating costs	*[= Σ 8 to 10]*	11	**132.1**	**141.8**	**+9.8**
Operating profit	*[= 7 - 11]*	12	**200.3**	**267.1**	**+66.8**
Recovery of loans written-off		13	2.3	2.5	+0.2
Loan provisions and impairments		14	8.4	20.7	+12.4
Other impairments and provisions		15	2.2	7.4	+5.2
Profits before taxes	*[= 12 + 13 - 14 - 15]*	16	**192.1**	**241.5**	**+49.4**
Corporate income tax		17	15.4	4.3	(11.1)
Equity-accounted results of subsidiaries		18	10.8	11.6	+0.8
Minority interests		19	92.3	122.6	+30.3
Net profit	*[= 16 - 17 + 18 - 19]*	20	**95.2**	**126.1**	**+30.9**
Cash flow after taxation	*[= 20 + 10 + 14 + 15]*	21	**119.0**	**168.3**	**+49.3**

Note: The costs and income captions, as well as the captions assets and liabilities, presented as being derived from international operations, refer almost exclusively to Banco de Fomento Angola, given that BCI's (Mozambique) contribution is recognised in the BPI Group's financial statements using the equity method, while the accounts of BPI Moçambique and BPI Capital África, both consolidated in full, have a minor weight. See notes to the financial statements 2.2 and 3.

Table 44

Income

Net operating revenue generated by international operations (BFA's business) grew by 23.0% (+76.6 M.€) in 2014.

Net interest income

The 24.1% growth in net interest income is mainly due to the positive volume effect of the expansion in deposits and the freeing up of resources due to the decrease in CI placements, and the application of the resulting liquidity in loans and in Angolan public-debt securities.

The volume effects on the margin, considering the average spread relative to the cost of the resources utilised[1], were:

- the 319 M.€ (average balance) expansion of the loan portfolio with an average spread of 7.7 p.p., contributed 24 M.€ to the higher net interest income;
- the 761 M.€ (average balance) increase in the securities portfolio, with an average spread of 4.7 p.p., generated a positive impact of 36 M.€ on net interest income.

Net operating revenue

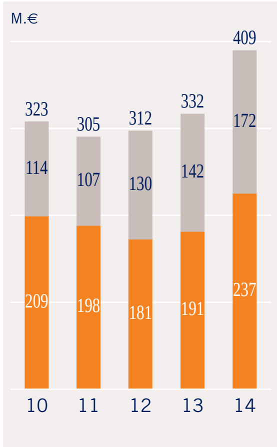


Chart 63

Net interest income generation in 2014[2]

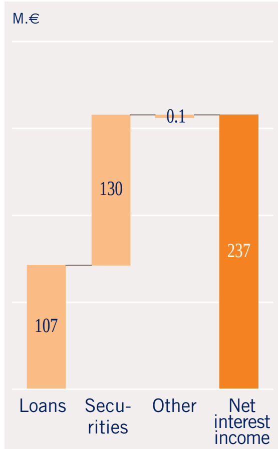


Chart 64

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

Factors influencing the trend in net interest income from BFA

Amounts in M.€

		2013			2014			Change in net interest income				
								Volume effect and residual effect			Rate effect	Total
		Average balance	Average rate	Interest (income / costs)	Average balance	Average rate	Interest (income / costs)	Volume effect	Residual effect	Total		
Interest-earning assets												
Placements with credit institutions	1	1 971.7	1.9%	37.5	1 662.5	2.0%	32.7	(5.9)	(0.2)	(6.1)	1.3	(4.8)
Loans to Customers	2	1 069.4	10.4%	111.2	1 388.6	9.4%	130.7	33.2	(3.2)	30.1	(10.6)	19.5
Financial assets	3	1 944.0	6.0%	116.9	2 704.8	6.5%	175.9	45.7	3.7	49.5	9.5	59.0
Other	4			6.7			3.1					(3.6)
Interest-earning assets[3] [= Σ 1 to 4]	5	**4 985.1**	**5.5%**	**272.3**	**5 755.9**	**6.0%**	**342.5**	**73.1**	**0.4**	**73.5**	**0.3**	**70.2**
Interest-bearing liabilities												
Customer deposits	6	5 361.0	1.5%	81.7	6 152.3	1.7%	102.9	12.1	1.2	13.2	8.0	21.2
Other interest-bearing liabilities	7	19.1	0.3%	0.1	36.5	0.5%	0.2	0.1	0.0	0.1	0.0	0.1
Other	8			0.2			2.8					2.5
Interest-bearing liabilities[3] [= Σ 6 to 8]	9	**5 380.1**	**1.5%**	**82.0**	**6 188.7**	**1.7%**	**105.9**	**12.1**	**1.2**	**13.3**	**8.0**	**23.8**
Net interest income (narrow sense) [= 5 - 9]	10			**190.3**			**236.6**	**61.0**	**(0.8)**	**60.1**	**(7.7)**	**46.3**
Average spread (between interest-earning assets and interest-bearing liabilities)	11		3.9%			4.2%						

Table 45

1) Increase in deposits and funds freed up with the decrease in placements at credit institutions.
2) Considering the average cost of interest-bearing liabilities.
3) The volume, price and residual effects calculated for the total interest-earning assets and interest-bearing liabilities correspond to the sum of the values of the parts.

Commissions

In 2014 commissions and other fees totalled 65.9 M.€, which corresponds to a 22.3% rise (+12.0 M.€) relative to 2013.

Profits from financial operations

In 2014, profits from financial operations were up 30.8% to 117.6 M.€. This figure chiefly corresponds to currency gains derived from commercial operations with Customers.

Operating costs

Operating costs were 7.4% higher in 2014. The ongoing expansion of the distribution network in Angola, which expanded by around 6.3% in 2014, and the concomitant increase in the staff headcount, which saw the average number of Employees grow by 4.4%, constitute the main factors behind the rise in costs.

Outside supplies and services and depreciation and amortisation posted increases of 9.7% and 6.0%, respectively.

The indicator "operating costs as a percentage of net operating revenue" was situated at 34.7% in 2014.

Operating costs Amounts in M.€

			2013	2014	Δ%
Personnel costs		1	64.3	68.0	5.7%
Outside supplies and services		2	54.4	59.7	9.7%
Operating costs, before depreciation and amortisation	*[= 1 + 2]*	3	**118.8**	**127.7**	**7.6%**
Depreciation and amortisation		4	13.3	14.1	6.0%
Operating costs	*[= 3 + 4]*	5	**132.1**	**141.8**	**7.4%**
Efficiency ratio[1]		6	39.7%	34.7%	

Table 46

Net operating revenue and operating costs

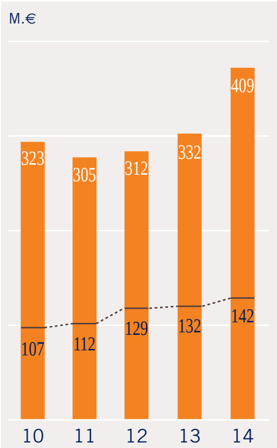


Chart 65

■ Net operating revenue
— Operating costs

Operating costs as % of net operating revenue

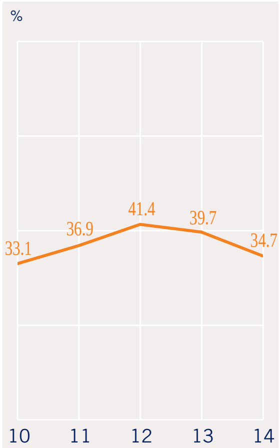


Chart 66

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

Loan impairments and provisions

Loan impairment charges in the year totalled 20.7 M.€, 12.4 M.€ more relative to 2013.

Loan impairments, net of recoveries (2.5 M.€), were 18.2 M.€ and represented 1.30% of the average loan portfolio (0.56% in 2013).

At the end of 2014, BFA had a ratio of Customer loans in arrears for more than 90 days of 3.2% (4.4% in 2013). Loans in arrears for more than 90 days were 142% covered by accumulated loan provisions in the balance sheet at the close of 2014.

Loan impairments

		2013		2014	
		M.€	As % of loan portfolio[1]	M.€	As % of loan portfolio[1]
Loan impairments	*1*	8.4	0.77%	20.7	1.48%
(-) Recoveries of loans in arrears written off	*2*	2.3	0.21%	2.5	0.18%
Loan impairments net of recoveries *[= 1 - 2]*	*3*	**6.1**	**0.56%**	**18.2**	**1.30%**

Table 47

Equity-accounted results of subsidiaries

Equity-accounted results – which correspond to the appropriation of the results attributable to the 30% interest in BCI in Mozambique – grew by 7.2% to 11.6 M.€[2].

The trend in BCI's results reflect the robust growth in banking business, underpinned by the distribution network's expansion and the enlarged workforce.

Total assets posted 18%[3] growth, deposits and loans registered growth of 23% and 31%, respectively, while the number of Customers was up 34% to 1 036 thousand.

Total impairments net of recoveries
2010 to 2014

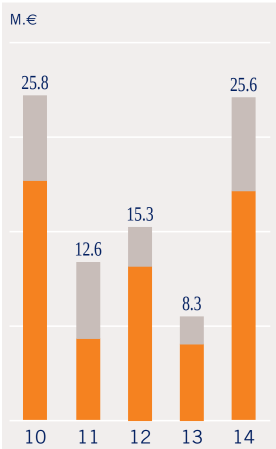


Chart 67

As % of net operating profit

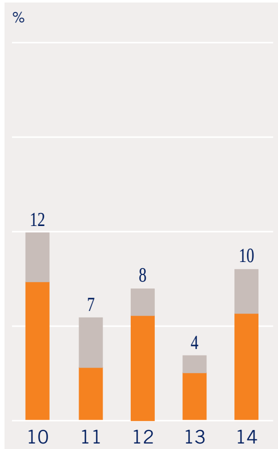


Chart 68

- Other purposes
- Loans (net of recoveries)

Minority interests

Minority interests in the results from international activity correspond to the 49.9% shareholding in BFA held by Unitel.

BPI recognised minority interests of 122.6 M.€ in BFA's net profit in 2014.

1) Average balance of performing loans.
2) BCI's contribution to BPI consolidated net profit, besides the equity-accounted results also includes the deferred tax relating to BCI's distributable results. In 2014, BCI's contribution was 10.6 M.€, up 7.2% on the previous year's contribution.
3) Expressed in USD, assets grew 4%, deposits grew 9% and loans expanded by 15%.

INTERNATIONAL OPERATIONS' BALANCE SHEET

BFA has a very liquid balance sheet, with Customer resources (7 396 M.€) funding 88% of assets at the end of 2014. Customer resources together with own funds funded virtually all the bank's assets.

The Customer loans portfolio represented 22% of assets, while the ratio relating to the transformation of deposits into loans was situated at 25% at the close of December.

The surplus liquidity on BFA's balance sheet, defined as total deposits and shareholders' equity not allocated to funding loans, mandatory reserves or financing fixed assets, amounted to 5.0 th.M.€ at the end of December 2014.

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

At the end of 2014, BFA had:

- 2.9 th.M.€ in Angolan public-debt securities with maturities of up to 6 years;
- deposits of 759 M.€ at international banks.

BFA tends to maintain in balance its asset and liabilities positions in foreign currency, although it can assume on a temporary basis long or short positions in foreign currencies within predetermined limits. In this manner, BFA's balance sheet presents a long position in kwanzas that approximates the value of its shareholders' equity, while the net exposure to other currencies is tendentiously zero.

At 31 December 2014, 63% of assets was denominated in kwanza, 35% was expressed in dollars or indexed to that currency, 2% in euro and the positions in other currencies were kept at residual levels. The net exposure in BFA's balance sheet to the kwanza was 829 M.€, while the net exposure to foreign currencies was minimal: 4 M.€ to the dollar, 1 M.€ to the euro and 2 M.€ to other currencies.

International activity balance sheet structure in 2014

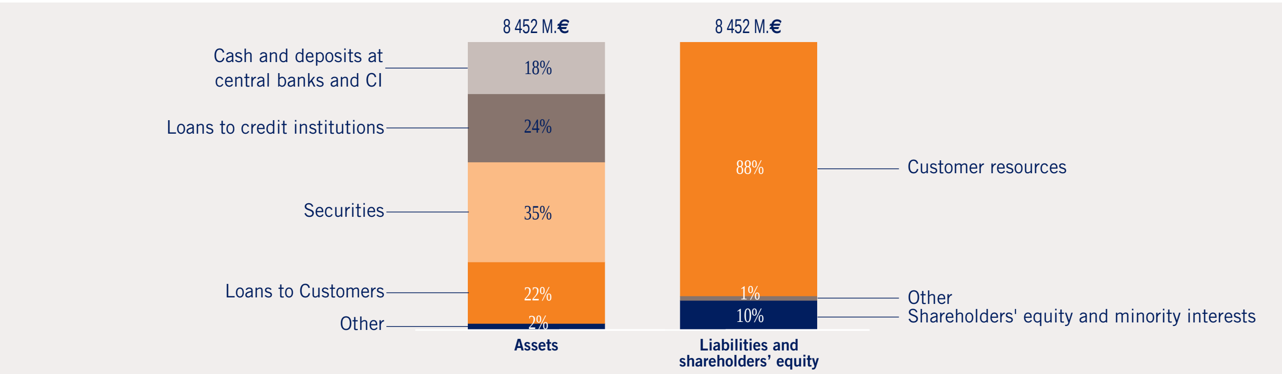


Chart 69

Customer loans

BFA's Customer loans' portfolio expanded by 761 M.€ (+71%) in 2014 to 1 833 M.€, which is explained essentially by a loan granted to the Angolan State in the 3rd quarter of the year.

Loans to companies grew by 99.2% (+694 M.€) as a consequence of the above-mentioned loan, while loans to individuals were up 15.8% (+60 M.€).

Securities and financial investments portfolio

The financial assets portfolio was composed in 2014 of short-term securities with maturities of up to one year, denominated in kwanzas and issued by the State (Treasury Bills), and Angolan Treasury Bonds with maturities of 1 to 6 years.

The securities portfolio totalled 2877.9 M.€ at the close of 2014 (+18.6% relative to 2013).

Loans to Customers
2010 to 2014

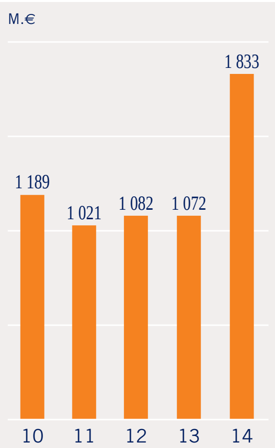


Chart 70

Loan portfolio
Breakdown at 31 Dec. 2014

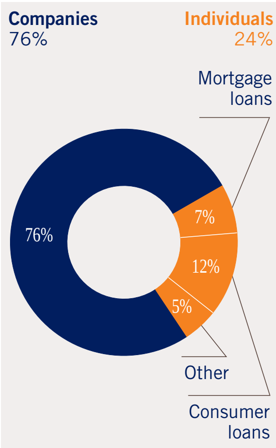


Chart 71

Portfolio of Angolan Treasury Bills and TBC

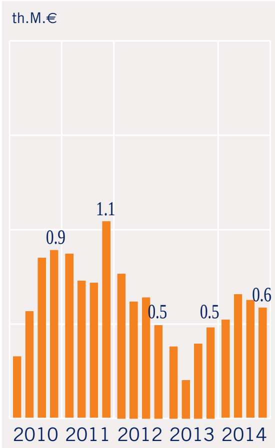


Chart 72

Portfolio of Angolan Treasury Bonds

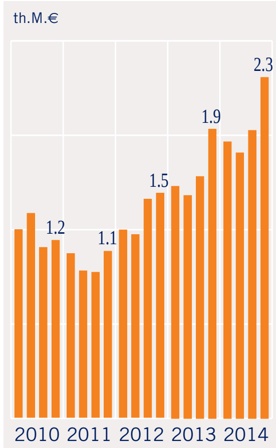


Chart 73

Customer loans portfolio — Amounts in M.€

		2013	2014	Δ%
Loans to companies	*1*	**699.9**	**1 394.2**	**99.2%**
Loans to individuals				
Housing loans	*2*	121.7	132.4	8.8%
Consumer loans	*3*	194.8	224.2	15.1%
Other	*4*	65.1	85.2	30.8%
[= Σ 2 to 4]	*5*	**381.6**	**441.8**	**15.8%**
Loans in arrears	*6*	52.0	63.8	22.7%
Loan impairments	*7*	(69.5)	(77.9)	12.0%
Interests and other	*8*	7.7	11.1	45.0%
Total *[= 1 + Σ 5 to 8]*	*9*	**1 071.6**	**1 833.0**	**71.0%**
Guarantees	*10*	227.6	487.9	114.3%

Table 48

At the end of 2014, the component of the portfolio expressed in kwanzas accounted for 66% of the portfolio, while the component denominated in USD represented 33.5%.

Securities and financial investments portfolio — Amounts in M.€

		2013	2014	Δ%
Short-term securities				
Angolan Treasury Bills	*1*	506.7	615.1	21.4%
[= 1]	*2*	**506.7**	**615.1**	**21.4%**
Angolan Treasury Bonds	*3*	1 915.7	2 258.1	17.9%
Other	*4*	3.9	4.7	19.4%
[= Σ 2 to 4]	*5*	**2 426.3**	**2 877.9**	**18.6%**
Financial investments[1]	*6*	45.0	54.8	21.8%
Total *[= 5 + 6]*	*7*	**2 471.2**	**2 932.6**	**18.7%**

Table 49

1) Equity-accounted value of the 30% shareholding in BCI.

Customer resources

BFA's Customer resources portfolio expanded by 31.0% in 2014. Sight deposits represented more than half of the resources taken from Customers.

Total Customer resources Amounts in M.€

		2013	2014	Δ%
Sight deposits	1	3 028.6	3 805.9	25.7%
Term and savings deposits	2	2 616.0	3 590.4	37.2%
Total *[= 1 + 2]*	3	**5 644.6**	**7 396.3**	**31.0%**

Table 50

In December 2014, roughly 61% of Customer resources were denominated in kwanzas (48% in 2013), 37% in dollars (49% in 2013) and 2% in other currencies.

Customer resources
2010 to 2014

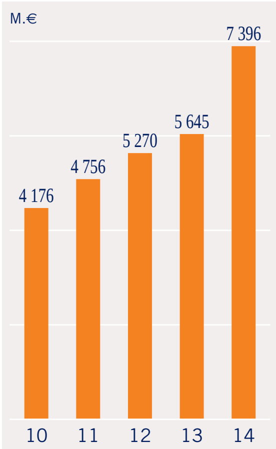


Chart 74

Customer resources
Breakdown at 31 Dec. 2014

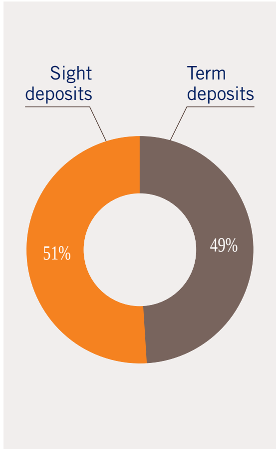


Chart 75

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

	31 Dec. 13	31 Dec. 14
Net operating revenue and results of equity accounted subsidiaries / ATA	2.5%	2.1%
Profit before taxation and minority interests / ATA	0.4%	(0.0%)
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	8.2%	(0.4%)
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	36.0%	41.9%
Operating costs / net operating revenue and results of equity accounted subsidiaries[1]	60.5%	72.3%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	4.0%	4.3%
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	0.3%	0.1%
Credit at risk[2]	5.1%	5.4%
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.4%	1.2%
Restructured loans as % of total loans[3]	6.1%	6.9%
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]	4.4%	4.6%
Own funds requirements ratio	16.2%[4]	11.8%[5]
Basis own funds ratio (Tier 1)	16.2%[4]	11.8%[5]
Core Tier 1 ratio	16.5%[4]	11.8%[5]
Loans (net) to deposits ratio	96%	84%

Table 51

1) Excluding costs with early-retirements.
2) Credit-at-risk corresponds to the sum of (1) the total outstanding value of loans which have principal or interest instalments in arrears for more than 90 days; (2) the total outstanding value of loans which have been restructured after having been in arrears for a period of 90 days or more, without having adequately reinforced the guarantees given (these must be sufficient to cover the total value of outstanding principal and interest; (3) the total value of loans with principal or interest instalments in arrears for less than 90 days, but in respect of which there is evidence that justify their classification as credit at risk, namely the debtor's insolvency or liquidation.
3) According to Bank of Portugal Instruction 32 / 2013.
4) According to the Bank of Portugal's previous rules in force up until 31 Dec. 13.
5) According to the phasing-in CRD IV / CRR rules applicable in 2014.

ATA = Average total assets.

Risk management

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

ORGANISATION

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

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

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group.

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

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

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

The management of operational risk is entrusted to two bodies – the Operational Risks Committee and the Operational Risks Management Area dedicated exclusively to this theme – and to the Employees of each one of the Group's bodies responsible for identifying, monitoring and mitigating operational risk in their jurisdictions.

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

Matrix of responsibilities for risk management and control

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

CA – Conselho de Administração (Board of Directors); **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **CERG** – Comissão Executiva de Riscos Globais (Global Risks Executive Committee); **CRF** – Comissão de Riscos Financeiros (Financial Risks Committee); **CRO** – Comité de Risco Operacional (Operating Risk Committee); **DA** – Departamento de Acções (Equity Department); **DACR** – Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division); **DAI** – Direcção de Auditoria e Inspecção (Audit and Inspection Division); **DBI** – Direcção de Banca Institucional (Institutional banking Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

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

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

Credit risk

Management process

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

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

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

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

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

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

For more details concerning the policy for evaluating and managing collateral, see the report "Market Discipline" published on the Investor Relations website (point 6).

In **project finance or structured finance** the clear identification and allocation of the principal attendant risks is fundamental, isolating the project and its risk assets from the Promoters or Shareholders ("ring-fencing"), focusing on their perceived or actual cash-flow generating capability, whether it be as the source of debt repayment or as the security for loans. The loan contract typically contains far-reaching oversight powers and mechanisms by the lenders.

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

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

- Mitigation of risk attaching to operations: in the acceptance or rejection of Customers and operations, regard is had to any personal or tangible guarantees which contribute to reducing risks. In the most expressive segment –home loans –, the relationship between loan and security (or loan-to-value ratio) has a maximum ceiling of 80%. For more details concerning the policy for evaluating and managing collateral, see the report "Market Discipline" published on the Investor Relations website (point 6).

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

À posteriori, the Bank maintains constant vigilance over the behaviour of its exposure to different counterparties, and over the trend of its portfolio (diversification by geographical area, sector of activity, loan segment, counterparty, currency and maturity). A more detailed description of the topic dealing with risk concentration is in the report "Market Discipline" which is available for consultation on the Investor Relations website (point 5.A.3.).

The Bank also keeps constant vigilance over the earnings and profitability indices achieved *vis-à-vis* the risks assumed.

Problematic loans, provisioning cover indices, write-offs and recoveries are also analysed monthly.

Recovery procedures are duly identified with a view to assessing on a case-by-case basis the choice of option that prospectively allows maximising the amount recovered.

In the case of Companies or Small Businesses, the Bank seeks as a rule a non-judicial restructuring of the debt which, when credible, could involve extending the maturity period and possibly even the pardon of principal with the payment of arrear interest and reinforced security. Also as a rule, the Bank does not reinforce its exposure, neither does it accept payment in specie and nor does it convert debt into principal. Once a restructuring operation has been realised, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial recovery of the debt. Where the debt restructuring is not feasible, the loan is subjected to immediate judicial execution.

In the case of Individuals, the restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of their being complied with. The choice is largely dependent on the period of default and the loan product, which could entail extending the maturity period and implementing a payment plan of outstanding and unpaid instalments, amongst other modes. There also exists a system that alerts to default of the restructuring agreement, triggering a subsequent action.

In the case of defaulting operations, but also for operations with incidents or performing loans, the Bank makes an estimate of the provisions for impairments, which entails not only a statistical calculation but also an assessment by an expert system of the same impairment, for all of the most significant loans. Impairments and provisions are evaluated monthly by the Board of Directors' Executive Committee (Executive Committee for Credit Risks), and are reviewed half-yearly by the external auditors and analysed regularly by the Audit and Internal Control Committee.

Functioning as agents controlling this entire management process, in addition to the Board of Directors, the Audit and Internal Control Committee, the Supervisory Board and the Executive Committee for Credit Risk, are the Risk Analysis and Control Division, the internal and external auditors[1] and the Bank of Portugal.

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

DESCRIPTION OF METHODOLOGY FOR CALCULATING IMPAIRMENTS

Financial assets or off-balance sheet operations (loans, guarantees given, irrevocable commitments, underwriting of commercial paper, derivatives, others) are in an impaired situation when events take place after the asset's initial recognition that change the expectations in relation to the future cash flows associated with that asset. The impairment corresponds to the difference between the financial asset's balance sheet value and the present value of its estimated future cash flows. The recording of provisions for the losses already incurred but not yet observed is also foreseen (IBNR – Incurred but not reported)

In the case of loans to individual Customers the portfolio is segmented according to the type of products and a collective analysis of impairments is carried out. The individual analysis in the case of Individuals only occurs for exposures of 1 000 th.€ or more (Private Banking).

In the case of Corporate Banking, Project Finance, Institutional Banking and the State Business Sector, size-related criteria and other complementary criteria of lesser importance are used for determining the type of analysis to be conducted, while all companies are subject to individual analysis. In the case of the Companies and Business segment, companies with larger exposures, equal to 250 M.€ or more, are also subject to individual analysis. The analysis may be individual or collective for insignificant exposures. In the Small Business segment, collective analyses are undertaken separately for the Equipment Leasing, Real Estate Leasing and Commercial Loans portfolios.

As a general rule, in the case where no provisions are set aside after individual analysis, provisions are created based on the collective analysis.

The calculation of individual impairment is done operation by operation. The following constitute objective indices, amongst others, of the existence of individual impairment:

- Incidents and defaults (not accidental);
- Record of Incidents in the BoP's CRC;
- Risk warnings which indicate significant degradation of the situation of individuals and of the Group / companies;
- Attachment / seizure of account;
- Applications for insolvency;
- Income Tax and Social Security debts;
- Strong increase in the probability of default (including Scoring / Rating situations beyond the prescribed threshold and restructured / renegotiated debts arising from risk deterioration);
- Strong depreciation in the value of the collateral.

The final calculation of individual impairment is based on the empirical estimate (educated guess) of the product of a probability of default and of a loss in the event of default (for performing loans or with incidents); or simply of a loss in the case of default (for non-performing loans).

The expected loan recovery value contains a judgment as to the value of the cash flows to be presented by Customers, based on both their historical economic-financial performance and the expectation of future trends. The expected value of the loan recovery includes, mandatorily, the cash flows that could result for the execution of the guarantees of the collateral associated with the loan advanced. In this case, the costs arising from the respective recovery process are deducted.

Properties pledged as security are obligatorily valued in loco prior to the process being closed definitively. The valuation of foreclosed properties is entrusted by Banco BPI to duly accredited external valuers independent of the Bank who must mandatorily visit the interior of the property. The object of these valuations effected for Banco BPI is to establish the "market value" of a given property, according to the principles defined by:

- IVSC-International Valuation Standards Council in the International Valuation Standards publication (7th edition of 2005);
- Bank of Portugal Notice 5 / 2006 (Valuation of Mortgaged Properties pledged as Guarantee for Mortgage Bond Loans);
- Bank of Portugal Notice 5 / 2007 (Own Funds Adequacy).

The "Market Value" of a property is the price for which an assets can be sold under a contract between an interested seller and a buyer with the means to realise the transaction at the valuation date, on the assumption that the property is placed publically for sale, that the market conditions permit a normal transfer and that there is a normal period, taking into account the nature of the property for negotiation of the sale. In determining Market Value it is possible to resort to three valuation methods: "Market method", "Income method" and "Cost method".

The calculation mode for collective provisions relating to the most important portfolios (Home loans, Companies and Small Businesses) entails partitioning according to the gravity of past or present indices. In the case of Home Loans, the restructured or renegotiated operations (without delays) are also dealt with separately.

<table>
<tr><th>Segments</th><th>Without signs</th><th>With signs</th><th>Default</th></tr>
<tr><td>Corporate Banking</td><td rowspan="4">Performing loans or delays up to 30 days</td><td>Delays of more than 30 days or risk factors</td><td rowspan="2">Delays of more than 180 days or litigation</td></tr>
<tr><td>Small Businesses</td><td rowspan="3">Delays of more than 30 days</td></tr>
<tr><td>Personal Loan</td><td rowspan="2">Delays of more than 90 days or litigation</td></tr>
<tr><td>Motor Car Finance</td></tr>
<tr><td>Home Loans</td><td>Performing loans or delays up to 12 days</td><td>Delays of more than 12 days</td><td>Delays of more than 180 days or litigation</td></tr>
<tr><td>Credit Cards</td><td>Performing loans (status AA) or miscellaneous (inactive, cheques, etc.)</td><td>Delinquencies (status D01, D02 and D03)</td><td>Default (status CG) or litigation</td></tr>
</table>

The balance sheet value corresponds to the sum of the book value of the capital not yet due, the overdue principal, the overdue interest and the other costs of overdue loans.

Based on the aforesaid partitions, probability curves are built based on the Kaplan-Meier methodology. Sign of impairment / arrear probabilities are calculated during an emergency period of 6 months and for a subsequent transition to a default situation (delay of 180 days or 90 days, according to the segments) up until the final maturity.

The multiple indication probability curves are built based on the time elapsing since the start of the operations and / or since the remedying of the delay / default. The probabilities diminish the longer the operation runs without incidents and the distance relative to its commencement or the remedying of the previous indication / default increases.

Different transition probability curves are also built according to the gravity of the indication and based on the time elapsed since the observation of the sign of impairment. The probability is marginally less the further the distance increases from the observation of the indication and the longer the operation / Customer does not attain the situation of Default.

In case of default, an estimate is made of an economic loss. An analysis is carried out of the payments made by Customers after the Default, after deducting the direct costs of the recovery process. These flows are discounted at the rate of interest applicable to the operations and compared (%) with the exposure at the time of the default. Different recovery curves are estimated for operations which are in default for different periods (based on the amount outstanding after t months of the operations / Customers which / who remain in default in that month). In the Real Estate Leasing and Home Loan segment, in which the recovery processes are more protracted due to the property foreclosure, the recoveries include an estimate of the recovery via judicial proceedings (execution / repossession of the asset), based on the past records available relating to those situations (probability of recovery via judicial proceedings multiplied by the percentage of the estimated recovery via judicial proceedings).

Risk Factors	Without signs	With signs	Default
Probability of sign (or incident): Probability of an operation / Customer becoming late during an emergency period.	✓	×	×
Probability of transition (to default): Probability of an operation / Customer which / who already records delays (signs) arriving at a Default situation during the remaining term of the operation.	✓	✓	×
Loss in case of default (LGD): Economic loss of the operations in case of default.	✓	✓	✓

Depending upon the situation of the loans, provisions for impairments are calculated in a different manner.

Loans without signs

$$\text{Impairment} = \sum_{H,j} \left(\text{Book Value}_{H,j} - \sum_{t} \frac{ECF_t}{(1+i)^t} \right) \times SP_{H,j}$$

Loans with signs

$$\text{Impairment} = \sum_{DS} \left(\text{Book Value}_{DS} - \sum_{t} \frac{ECF_t}{(1+i)^t} \right)$$

Loans in Default

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

Where:

ECF = expected cash flow

SP = sign probability

TP = transition probability

LGD = default loss

DS = degree of sign (e.g. 12-30 days, 30-60 days, etc.)

H = history of operations / Customers without signs (without problems in the past: signs or default)

t = period in which the payment of a future cash flow is contractually envisaged

Restructuring of loans

The recovery procedures are duly identified with a view to deciding case-by-case on the choice of option which hopefully permits maximising the amount recovered.

In the case of Companies and Small Businesses, the Bank endeavours as a rule to achieve a non-judicial restructuring of the debt which, if credible, could involve extending the term and possibility the deferment of principal with the payment of the overdue interest and reinforced guarantees. Also as a rule, the Bank does not raise its exposure, neither does it accept payment in specie nor does it convert debt into principal. Having realised the restructuring, the process is duly monitored. Non-compliance with the agreed plan sets into motion the judicial debt execution process. Where the debt restructuring proves not to be feasible, the debt is subjected to immediate judicial execution.

In the case of Individuals, the restructuring or renegotiation agreements are also a preferred path for recovery providing that there is the minimum prospect of being complied with. The choice is largely dependent on the default period and the loan product, which could entail extending the maturity period and implementing a payment plan of outstanding and unpaid instalments, amongst other modes. There also exists a system that alerts to default of the restructuring agreement, triggering a subsequent action.

Evaluation of exposure to credit risk

Companies, institutional Customers, specialised finance and small businesses

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

Internal rating of companies
Breakdown of exposure by risk classes
At 31 December 2014

Risk classes		Value (M.€)[1]	% of portfolio amount	One-year default probability[2]
E1	1	55.5	0.88%	0.03%
E2	2	299.1	4.72%	0.03%
E3	3	848.4	13.38%	0.03%
E4	4	1 107.1	17.46%	0.04%
E5	5	984.0	15.51%	0.06%
E6	6	765.8	12.07%	0.07%
E7	7	534.8	8.43%	0.49%
E8	8	359.4	5.67%	2.72%
E9	9	290.4	4.58%	7.34%
E10	10	386.7	6.10%	17.27%
Without rating	11	1.8	0.03%	1.22%
ED1	12	4.8	0.08%	42.86%
ED2	13	3.0	0.05%	61.85%
ED3 (default)	14	701.8	11.07%	100.00%
Total [= Σ 1 to 14]	15	**6 342.7**	**100%**	**2.18%**

Table 52

The average probability of default in the Companies' portfolio over 1 year, weighted by the value of the liabilities at 31 December 2014, was 2.18%. The loss in the event of default in this segment is on average 29%, which figure is lower than in the past, indicating the greater expectation of recovery of default operations in the current economic landscape. The expected loss is on average 0.62% for the whole portfolio.

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

Internal rating of project finance
Breakdown of exposure by risk classes
At 31 December 2014

Risk classes		Value (M.€)	% of portfolio amount
Strong	1	156.9	6.3%
Good	2	1 311.3	53.0%
Satisfactory	3	437.3	17.7%
Weak	4	338.0	13.7%
Default	5	230.7	9.3%
Total [= Σ 1 to 5]	6	**2 474.3**	**100.0%**

Table 53

The segment of small businesses is still at an initial stage of a rating evaluation process. Notwithstanding this fact, it is possible to estimate an average default probability over a one-year period in the case of this portfolio, and a loss in the event of default of 3.93% and 64.22%, respectively (the definition of default used in the calculations of impairment losses is that of loans in arrears for 180 days or more).

These systems for evaluating counterparty risk are complemented by other methodologies, in particular, the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios or a variation thereof.

Exposure concentration indices are also analysed. In overall terms, in a qualitative appraisal, the portfolio reveals an average / high degree of concentration by counterparties or groups (including conservative compliance with the regulation regarding "large exposures") and a reduced concentration by sectors. According to the Bank of Portugal's calculation methodology, the individual concentration indicator is 45% while the sectorial concentration is 12.6%. The concentration in geographical terms is inherent to the location of the Group's business operations.

1) Includes bonds, bank guarantees and commercial paper of the corporate segment and excludes without-recourse factoring operations and derivatives.
2) In the calculation of default probabilities, all the operations in default of a single Customer were regarded as being a single negative case (and not various cases). The calculation of the portfolio's average default probabilities naturally excludes the ED3 class. The DPs presented are point-in-time and hence not comparable with those published in previous years as they were through-the-cycle.

Financial institutions

In financing granted to other financial institutions, BPI bases its risk analysis on available external ratings. Financing relations are restricted, at the time of the investment, to investment grade institutions.

This system for evaluating counterparty risk is complemented by the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios.

Individuals

In the individuals domain, there is a reactive scoring model for each segment, designed to represent default probabilities (distribution of the results of each scoring by ten classes, plus two in the case of incidents and one class in the case of default).

Over the life of the operations, the default probabilities are assessed by behavioural scorings. It should be noted that in the home loan segment, notwithstanding the difficult economic environment, the portfolio's average probability of default is low (0.89%). This favourable trend is due to the natural decline in default probabilities on older loans (the portfolio's average age is 8 years while the peak of default probabilities in their lifespan is situated at 2 to 3 years).

Default probabilities of loans to individuals
At 31 December 2014

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	0.89%	23.19%	0.21%
Personal loans	2.25%	33.55%	0.75%
Motor car finance	1.13%	22.47%	0.25%
Credit cards	0.69%	48.52%	0.34%

Table 54

The estimated loss on each operation in default in these segments is also revised periodically over the lifespan of the operations. The lowest expected loss in the event of default in the motor-car and housing finance is directly related to the existence of tangible guarantees, facilitating the recoupment of loans. The existence of promissory notes and, at times, financial collateral, also facilitates the recovery of amounts (relatively low) advanced in the form of personal loans.

Loan-to-value ratio in housing loans
At 31 December 2014

	Dec. 2014
New loans contracted[4]	61.74%
Housing loan portfolio	57.21%
Loans in default (more than 90 days)	89.03%

Table 55

This system for evaluating counterparty risk is complemented by the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios.

Debt securities portfolio

In what regards the evaluation of risks stemming from its securities portfolio, BPI resorts primarily to information obtained from external rating reports. Notwithstanding recent downgrades and the fact that bond valuations at market prices implicitly contain, in this environment, high risk premiums, the investment portfolio is predominantly composed of the securities of low credit-risk issuers.

1) Probability of default weighted by the liabilities in portfolio or potential liabilities (credit cards).
2) The calculation of the average default probability includes situations of loans in arrears for less than 90 days.
3) The default probabilities presented are point-in-time.
4) Loans granted in December 2014.

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

Amounts in M.€

Rating	2013	%	2014	%
AAA	0.8	0.0%	8.8	0.2%
AA	8.3	0.1%	1.3	0.0%
A	157.4	1.9%	236.4	4.4%
BBB	1 582.6	19.5%	789.6	14.6%
BB	5 244.3	64.5%	3 517.4	65.2%
B	59.6	0.7%	46.6	0.9%
CCC	0.5	0.0%	0.7	0.0%
CC	0.0	0.0%	0.0	0.0%
C	0.0	0.0%	0.0	0.0%
Commercial paper with guarantees from credit institutions	163.6	2.0%	152.3	2.8%
Commercial paper without guarantees	798.1	9.8%	526.8	9.8%
Without rating	115.5	1.4%	117.2	2.2%
Total	**8 130.6**	**100.0%**	**5 397.2**	**100.0%**

Table 56

Equities and participating interests' portfolio

As regards the structural position of the equities and participating interests portfolio, the corresponding market risk is not easily measured by traditional methodologies such as VaR, given the investment's time horizon, the importance of the positions or the lack of quoted prices in the equity market. According to the Basle Accord, this risk is treated as credit risk (and eventually included in the treatment of large exposures).

The realisation of a stress test on this portfolio (20% fall in quoted prices) reveals a capital at risk figure of 20 M.€.

Derivative operations

Credit risk analysis relating to operations in derivatives is founded on the replacement value (exposure equivalent to credit), and on default probabilities and loss values in the case of default attaching to the counterparty and to the operations, respectively.

The set-off and collateralisation contracts naturally have an influence on the calculation of this type of exposure.

These agreements, which entail the receipt (and payment) of collateral amounts for hedging risks between counterparties, permitted a reduction in the substitution value of the derivatives portfolio from 434 M.€ (gross amount) to 226 M.€ (net amount, after set off and collateralisation) at the end of December 2014.

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

Amounts in M.€

	2013	%	2014	%
Over-the-counter market	**187.3**	**100.0%**	**226.4**	**100.0%**
Financial institutions	6.1	3.2%	11.5	2.0%
Other financial intermediaries	0.3	0.2%	1.1	0.8%
Local and administrative public sector	0.4	0.2%	0.4	0.3%
Companies	179.7	95.9%	212.6	96.1%
Unit trust funds and pension funds	0.0	0.0%	0.3	0.0%
Individuals	0.8	0.4%	0.5	0.9%
Regulated markets	**-**	**-**	**-**	**-**
Stock exchange	-	-	-	-
Total	**187.3**	**100.0%**	**226.4**	**100.0%**

Table 57

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

Default, provisioning and recovery levels

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

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

- **Ratio of loans in arrears (+90 days):** At the end of 2014, the ratio of loans in arrears for more than 90 days stood at 3.8% in consolidated terms. In domestic operations (93% of the consolidated loan portfolio), that ratio was 3.9% while in international operations (in Angola), which accounts for 7% of the consolidated loan portfolio, it was 3.2%.

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

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

- **Credit-at-risk ratio (BoP Instruction 16 / 2004[1]):** credit-at-risk in accordance with the Bank of Portugal's definition, corresponded to 5.4% of the consolidated gross loan portfolio at the end of 2014. In domestic operations, that ratio was situated at 5.4% and at 4.4% in international operations (in Angola).
- **Cost of credit risk:** impairment charges in the year net of loan recoveries represented 0.70% of the loan portfolio in 2014.
- **Impairment cover:** Accumulated loan impairment allowances in the balance sheet at the end of 2014 stood at 1 075.2 M.€. This figure corresponded to 82% of credit-at-risk, not taking into account the effect of risks covered by collateral, which represents an increase in loan-impairment cover when compared with the previous year (77%).

Accumulated impairment allowances in the balance sheet for non-performing loans[2] and guarantees (real and personal) represented 88% cover for the total exposure to operations with principal or interest in arrears for more than 30 days and including the associated loans falling due.

- **Foreclosed properties:** properties repossessed in loan recovery operations totalled 161.2 M.€, in terms of gross balance sheet value. The balance sheet value net of accumulated impairments was 133.9 M.€, which compares with their market value of 162.4 M.€.

Credit at risk

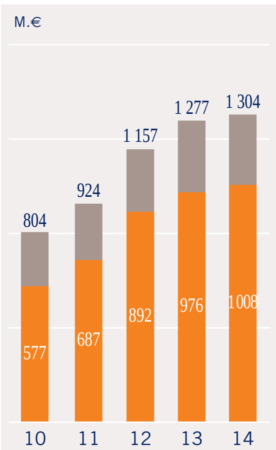


Chart 76

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

Ratio of credit at risk

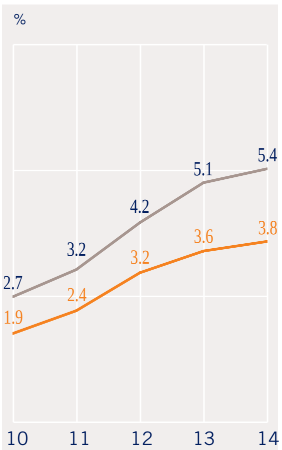


Chart 77

Credit at risk
Loans in arrears for more than 90 days

Impairments coverage
Not considering collaterals

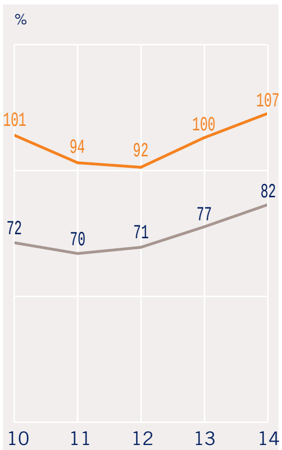


Chart 78

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

Property repossessed from loans recovery (gross value)

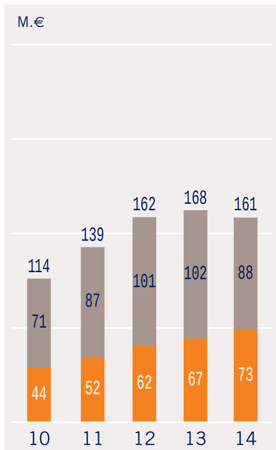


Chart 79

Other
Housing loans

1) Credit-at-risk according to the Bank of Portugal's definition, in addition to loans in arrears for more than 90 days, also includes the associated loans falling due, restructured loans and insolvency situations.
2) In addition, BPI had impairment allowances of 323 M.€ for loans with no arrear instalments and for guarantees. Taking this figure also into account, coverage for total overdue loans and associated loans falling due stood at 110%.

Loans to Customers in arrears and loan impairments

Amounts in M.€

			2010	2011	2012	2013	2014		
			Conso-lidated	Conso-lidated	Conso-lidated	Conso-lidated	Domestic activity	International activity	Conso-lidated
Customer loan portfolio (gross)		1	30 609	28 995	28 129	26 897	24 395	1 911	26 306
Loans in arrears, falling due loans and impairments									
Credit at risk[1]		2	803.7	923.9	1 157.4	1 277.0	1 219.1	84.9	1 304.0
Loan impairments and guarantees (accumulated in the balance sheet)		3	582.2	642.9	824.4	978.7	988.5	86.7	1 075.2
Loans in arrears for more than 90 days		4	577.0	686.6	891.9	976.3	947.1	61.2	1 008.3
Loans in arrears for more than 30 days		5	620.3	728.4	917.4	997.2	979.9	63.8	1 043.7
Ratios (as % of total loans)									
Credit at risk as % of loan portfolio[1,2]		6	2.7%	3.2%	4.2%	5.1%	5.4%	4.4%	5.4%
Credit at risk, net of accumulated impairments, as % of net loan portfolio[1,2]		7	0.8%	0.9%	1.4%	1.4%	1.3%	0.4%	1.2%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio	[= 3 / 1]	8	1.9%	2.2%	2.9%	3.6%	4.1%	4.5%	4.1%
Loans in arrears for more than 90 days as % of loan portfolio	[= 4 / 1]	9	1.9%	2.4%	3.2%	3.6%	3.9%	3.2%	3.8%
Loans in arrears for more than 30 days as % of loan portfolio	[= 5 / 1]	10	2.0%	2.5%	3.3%	3.7%	4.0%	3.3%	4.0%
Loan impairments as % of credit at risk	[= 3 / 2]	11	72%	70%	71%	77%	81%	102%	82%
Loan impairments as % of loans in arrears for more than 90 days	[= 3 / 4]	12	101%	94%	92%	100%	104%	142%	107%
Write-offs and sales of loans in arrears		13	93.6	86.3	81.3	93.4	90.0	10.4	100.3
Recovery of loans and interests in arrears written-off		14	15.9	20.3	15.5	17.6	14.0	2.5	16.5

Table 58

DOMESTIC OPERATIONS

Trend in defaulting loans and impairments in the year

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

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

Effective from 2013, BPI has recorded a slowdown in the flow of new default situations in domestic operations after having reached a historical high in 2012.

The emergence of new default cases (in arrears for more than 90 days) in domestic activity, calculated as the change in the balance of non-performing loans between the beginning and end of the year, to which is added write-offs effected and after deducting loan recoveries, attained 97 M.€ in 2014 (0.41% of the loan portfolio), which corresponds to a significant decrease since the peak of 263 M.€ in 2012 (0.99% of the loan portfolio).

Impairment charges for the year, net of loan recoveries, decreased from a maximum of 249 M.€ reached in 2013 (0.98% of the loan portfolio) to 158 M.€ in 2014 (0.66% of the loan portfolio).

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

1) According to Bank of Portugal Instruction 16 / 2004, includes loans in arrears for more than 90 days, associated loans not yet due, restructured loans (previously with instalments in arrears for more than 90 days and in respect of which the debtor had not adequately reinforced the guarantees furnished or paid in full the interest and other charges overdue) and insolvency situations still not contemplated in loans in arrears for more than 90 days.

2) For purposes of calculating the loan quality indicators, the Group universe (perimeter) subject to Bank of Portugal supervision is taken into account so that in BPI's case, BPI Vida e Pensões is equity accounted (whereas in the consolidated accounts, according to the IAS / IFRS standards, that entity is fully consolidated).

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

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

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

With effect from 2012, there have been two consecutive years of decline in the number of new cases of loan defaults, amounting to 97 M.€ in 2014 (0.41% of the loan portfolio).

Credit-at-risk
The trend in credit-at-risk adjusted for write-offs and net of recoveries is similar to that for arrear loans (for more than 90 days). In 2014, the increase in credit-at-risk (adjusted for write-offs and net of recoveries) in domestic operations was 92 M.€ (0.38% of the loan portfolio), which amount is below the peak of 299 M.€ registered in 2012 (1.13% of the loan portfolio).

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

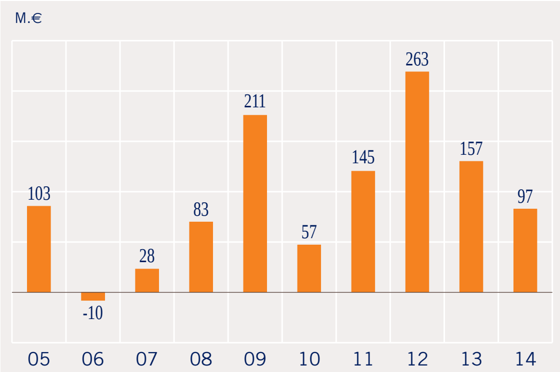


Chart 80

Loan impairments[1] net of recoveries

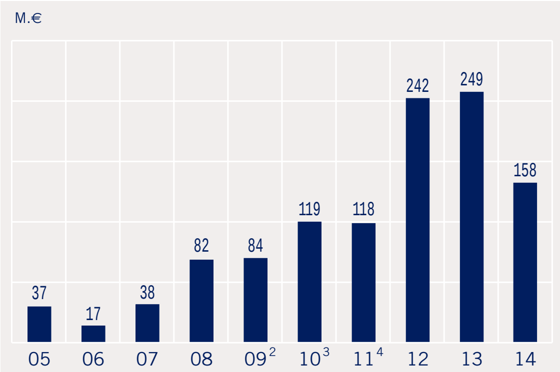


Chart 81

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

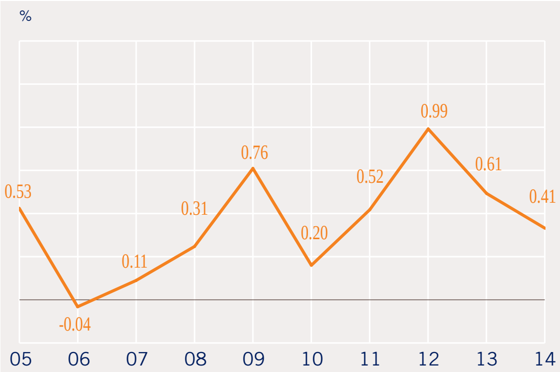


Chart 82

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

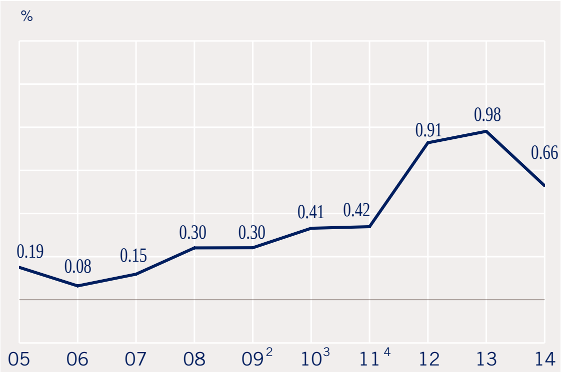


Chart 83

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

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

Change in arrear loans (for more than 90 days) and in credit-at-risk, adjusted for write-offs and sale of loans in arrears in 2014, net of recoveries of loans previously written off

Amounts in M.€

	2008	2009	2010	2011	2012	2013	2014
Loans in arrears for more than 90 days (annual change)							
Domestic activity	83	211	57	145	263	157	97
as percentage of loan portfolio (average balance)	0.31%	0.76%	0.20%	0.52%	0.99%	0.61%	0.41%
International activity	12	23	38	31	2	4	19
as percentage of loan portfolio (average balance)	1.08%	1.77%	2.93%	2.93%	0.13%	0.34%	1.33%
Consolidated	**95**	**235**	**95**	**176**	**264**	**160**	**116**
as percentage of loan portfolio (average balance)	**0.34%**	**0.81%**	**0.32%**	**0.61%**	**0.95%**	**0.60%**	**0.46%**
Credit at risk (annual change)							
Domestic activity	111	207	93	166	299	190	92
as percentage of loan portfolio (average balance)	0.41%	0.74%	0.32%	0.60%	1.13%	0.75%	0.38%
International activity	16	41	53	20	(10)	5	19
as percentage of loan portfolio (average balance)	1.43%	3.13%	4.08%	1.87%	(0.90%)	0.47%	1.35%
Consolidated	**127**	**248**	**146**	**186**	**289**	**195**	**111**
as percentage of loan portfolio (average balance)	**0.45%**	**0.85%**	**0.49%**	**0.64%**	**1.04%**	**0.74%**	**0.44%**
Note:							
Performing loan portfolio (average balance)							
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500	23 984
International activity	1 128	1 325	1 308	1 054	1 141	1 087	1 404
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587	25 388

Table 59

Impairments for the year net of recoveries

Net credit loss, measured as loan impairments and net of recoveries of overdue loans in the year, was 158.5 M.€ in domestic operations in 2014, representing a 90.5 M.€ decrease relative to the peak of 249 M.€ registered in 2013.

The net credit loss in domestic operations corresponded to 0.66% of the average non-performing loan portfolio. This indicator's average figure in the 10-year period up till 2011 (before the maximum values recorded in 2012 and 2013) was 0.27%.

Impairment charges in the year net of recoveries

Amounts in M.€

	2008	2009	2010	2011	2012	2013	2014
Loan impairments net of recoveries							
Domestic activity	82	84	119	118	242	249	158
as percentage of loan portfolio (average balance)	0.30%	0.30%	0.41%	0.42%	0.91%	0.98%	0.66%
International activity	10	28	19	7	12	6	18
as percentage of loan portfolio (average balance)	0.85%	2.12%	1.46%	0.62%	1.07%	0.56%	1.30%
Consolidated	**91**	**112**	**138**	**124**	**254**	**255**	**177**
as percentage of loan portfolio (average balance)	**0.32%**	**0.38%**	**0.46%**	**0.43%**	**0.92%**	**0.96%**	**0.70%**
Note:							
Performing loan portfolio (average balance)							
Domestic activity	27 189	27 804	28 792	27 836	26 546	25 500	23 984
International activity	1 128	1 325	1 308	1 054	1 141	1 087	1 404
Consolidated	28 317	29 129	30 100	28 890	27 687	26 587	25 388

Table 60

Trend in credit risk and impairments by segments

Impairment charges in 2014, higher than the flow of new entries of credit risk, are partly explained by the increased level of cover of previously-identified default situations.

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

Amounts in M.€

		New entries in credit at risk, deducted of recoveries				Impairments in the year, deducted of recoveries			
		2011	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
Domestic activity									
Companies in Portugal[2]	*1*	14.9	129.0	106.9	103.5	23.9	119.1	84.6	76.1
Madrid branch[3]	*2*	6.3	41.0	91.1	(18.4)	19.8	11.7	94.8	52.7
Public Sector	*3*	36.8	3.6	(4.0)	(4.8)	0.3	9.0	(2.3)	(0.9)
Individuals and Small Businesses Banking									
Mortgage loans to individuals	*4*	60.3	81.2	(15.3)	20.8	33.3	69.0	50.2	34.0
Other loans to individuals[4]	*5*	11.2	13.8	5.9	5.6	9.4	12.9	6.3	5.5
Small businesses	*6*	35.4	27.5	7.6	(11.7)	28.6	19.6	9.1	(0.8)
[= Σ 4 to 6]	*7*	106.9	122.6	(1.8)	14.7	71.3	101.5	65.7	38.7
Other	*8*	1.5	2.7	(1.9)	(3.2)	2.8	0.4	6.3	(8.2)
Domestic activity *[= Σ (1 to 3) + 7 + 8]*	*9*	**166.4**	**298.8**	**190.3**	**91.8**	**118.0**	**241.6**	**249.0**	**158.5**
International activity	*10*	**19.7**	**(10.2)**	**5.1**	**19.0**	**6.5**	**12.2**	**6.1**	**18.2**
Total *[= 9 + 10]*	*11*	**186.1**	**288.6**	**195.5**	**110.8**	**124.5**	**253.9**	**255.0**	**176.7**

Table 61

Credit-at-risk and impairment coverage by segments

The credit-at-risk ratio, calculated according to Bank of Portugal Instruction 16 / 2004, stood at 5.4% at the end of 2014 in domestic operations.

Credit-at-risk cover by impairments in domestic operations, disregarding collaterals, increased from 75% in 2013 to 81% in 2014.

Credit-at-risk cover by impairment allowances (disregarding associated collaterals) in the main loan segments at the end of 2014 was:

- 88% in company loans in Portugal;
- 101% in loans to Spanish companies (Madrid branch portfolio);
- 91% in small business loans;
- 62% in mortgage loans. It should be noted that in this segment the average loan-to-value ratio for the total portfolio was 57% at the end of 2014.

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

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

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

	2013				2014			
	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impair-ments cover
Domestic activity								
Companies in Portugal	22%	369	6.7%	90%	21%	427	8.3%	88%
Madrid branch	7%	213	12.3%	77%	6%	176	12.0%	101%
Public Sector	8%	36	1.8%	21%	6%	31	2.1%	18%
Individuals and Small Businesses Banking								
Mortgage loans to individuals	46%	382	3.3%	57%	47%	397	3.5%	62%
Other loans to individuals	4%	40	4.2%	97%	4%	39	4.4%	97%
Small businesses	6%	158	10.1%	85%	7%	146	9.2%	91%
	56%	580	4.1%	67%	57%	582	4.2%	72%
Other	2%	5	0.8%	210%	2%	3	0.5%	411%
Domestic activity	**95%**	**1 203**	**5.0%**	**75%**	**92%**	**1 219**	**5.4%**	**81%**
International activity	**5%**	**74**	**6.5%**	**101%**	**8%**	**85**	**4.4%**	**102%**
Total	**100%**	**1 277**	**5.1%**	**77%**	**100%**	**1 304**	**5.4%**	**82%**

Table 62

Restructured loans

The amount of restructured loans (consolidated) totalled 1 675 M.€ at the close of 2014. Of this amount, 551 M.€ is included in the credit-at-risk balance.

The amount of restructured loans not included in credit-at-risk therefore totals 1 124 M.€, which corresponds to 4.6% of the gross loan portfolio.

Restructured loans

Amounts in M.€

		2013	as % of gross loan portfolio[1]	2014	as % of gross loan portfolio[1]
Amount included in credit at risk	*1*	441.9	1.8%	551.2	2.3%
Outstanding amount	*2*	1 100.1	4.4%	1 123.8	4.6%
Total *[= 1 + 2]*	*3*	**1 542.1**	**6.1%**	**1 675.1**	**6.9%**

Table 63

Impairments cover for defaulting loans

At the end of 2014, the total exposure to loans with arrear instalments of principal or interest amounted to 1 465 M.€ in consolidated terms and corresponded to:

- total arrear loans (principal or interest instalments in arrears for more than 30 days) of 1 044 M.€ which represented 4.0% of the gross loan portfolio;
- portion not yet due in those loan operations of 421 M.€.

In average terms, the total exposure to the aforesaid loans (arrear loans and associated instalments falling due) was 88% covered by individual impairments set aside specifically for those loans (753 M.€) and by the value of real guarantees (543 M.€).

1) According to Bank of Portugal Instruction 32 / 2013. The Group universe (perimeter) subject to Bank of Portugal supervision is taken into account so that in BPI's case, BPI Vida e Pensões is equity accounted (whereas in the consolidated accounts, according to the IAS / IFRS standards, that entity is fully consolidated).

Loans in arrears and performing loans associated with loans in arrears

Amounts in M.€

		2013			2014		
		Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total
Loans							
In arrears	1	403.8	593.4	**997.2**	425.7	618.0	**1 043.7**
Falling due loans[1]	2	220.4	174.4	**394.9**	268.9	151.9	**420.8**
Loans [= 1 + 2]	3	**624.2**	**767.9**	**1 392.1**	**694.6**	**769.9**	**1 464.5**
Real guarantees[2] (mortgages and other[3])	4	528.2		**528.2**	542.8		**542.8**
Impairments[4]	5	210.8	447.6	**658.4**	262.7	489.9	**752.5**
Loans coverage by collateral and impairments [= (4 + 5) / 3]	6	**118%**	**58%**	**85%**	**116%**	**64%**	**88%**

Table 64

Foreclosed properties

At the end of 2014, BPI had a portfolio of foreclosed properties with a gross balance carrying amount of 161.2 M.€. Of this figure, 72.7 M.€ refers to properties repossessed for home-loan recoveries and 88.5 M.€ refers to properties repossessed for the recoupment of other loans.

At 31 December, the accumulated amount of impairments for foreclosed properties amounted to 27.4 M.€, which corresponded to 17% of the gross balance sheet value. Accordingly, the net balance sheet value of these properties was 133.9 M.€, which compares with their market value of 162.4 M.€.

Property repossessed from loans recovery

Amounts in M.€

		2013			2014		
		Housing	Other	Total	Housing	Other	Total
Gross value	1	**66.6**	**101.6**	**168.3**	**72.7**	**88.5**	**161.2**
Impairments	2	2.7	30.5	33.2	3.4	23.9	27.4
Impairments cover [= 2 / 1]	3	4%	30%	20%	5%	27%	17%
Net value [= 1 - 2]	4	**63.9**	**71.1**	**135.0**	**69.3**	**64.5**	**133.9**
Market value	5	78.5	84.0	162.5	85.9	76.5	162.4

Table 65

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

COUNTRY RISK

Management process

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

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

Country risk exposure
Exposure net of guarantees at 31 December 2014

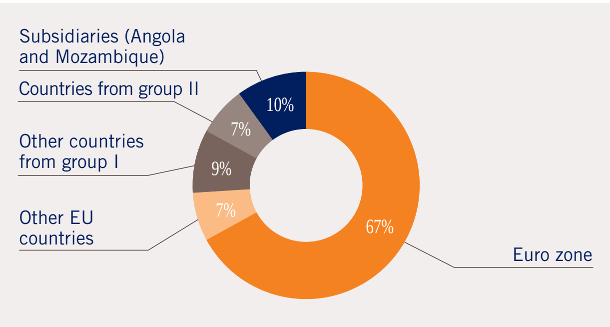


Chart 84

In addition, the operations defined as eligible are short-term financing for external trade, the loans of certain multilateral banks, certain medium-term operations with political risk hedging or which, due to their structuring, are not subject to transfer risk.

Country risk exposure assessment

Country risk exposure
At 31 December 2014

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from Group I					
Euro Zone		**3 338.1**	**74.5**	**(389.3)**	**3 023.4**
	AAA	605.2	64.9	(19.5)	650.6
	AA	371.0	(0.5)	(18.6)	351.9
	A	29.3	0.0	0.0	29.3
	BBB	2 311.2	10.1	(351.2)	1 970.1
	B	21.4	0.0	0.0	21.4
Other EU countries		**337.0**	**0.1**	**(24.9)**	**312.3**
	AAA	129.8	0.0	(0.1)	129.7
	AA	205.5	0.1	(24.8)	180.8
	A	1.7	0.0	0.0	1.7
Switzerland	*AAA*	191.8	2.1	(2.5)	191.4
USA	*AAA*	71.6	0.0	(1.9)	69.8
Other		102.0	2.7	(0.9)	103.9
Offshores		38.5	0.0	(3.4)	35.1
		4 079.0	**79.5**	**(422.7)**	**3 735.8**
Countries from Group II					
Brazil	*BBB*	29.9	0.0	(0.5)	29.4
Angola	*BB*	342.3	(176.7)	(9.9)	155.7
Russia	*BBB*	26.5	0.0	0.0	26.5
Turkey	*BBB*	0.0	0.0	0.0	0.0
Mexico	*BBB*	48.0	0.0	(0.1)	47.9
Mozambique	*B*	28.9	0.0	(6.0)	22.9
Venezuela	*CCC*	14.8	0.0	(4.1)	10.6
Cape Verde	*B*	79.9	(76.6)	0.0	3.3
South Africa	*BBB*	14.8	0.0	(4.3)	10.5
Other		5.0	0.0	(0.2)	4.8
Subsidiaries		**472.9**	**0.0**	**0.0**	**472.9**
Angola (BFA)		418.1	0.0	0.0	418.1
Mozambique (BCI)		54.8	0.0	0.0	54.8
		590.0	**(253.3)**	**(25.1)**	**311.7**
Total		**5 142.0**	**(173.8)**	**(447.8)**	**4 520.4**

Table 66

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

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

MARKET RISKS – TRADING POSITIONS

Management process

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

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

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

Market risk exposure assessment – trading

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

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

Market risk in trading books[1] Amounts in M.€

	Dec. 13		Dec. 14	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	0.4	1.5	0.8	2.8
Currency risk	1.3	1.6	1.2	1.7
Equities risk	1.2	3.3	2.3	3.8
Commodities risk	0.0	0.0	0.0	0.0

Table 67

MARKET RISKS – STRUCTURAL INTEREST RATE RISK POSITION

Management process

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

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

Structural interest rate risk exposure assessment

The assessment of treasury positions (short term) and structural risk positions relating to interest rates (long term) is based on gap schedules (currency gaps, repricing gaps, duration gaps). In addition, several stress tests are conducted (parallel shift of the yield curves, slope of the curves, spread / basis risk).

At 31 December 2014, the repricing gap (of interest rates) accumulated up to 1 year was 6 129 M.€.

Interest rate risk[2]
Structural position, at 31 December 2014 Amounts in M.€

	Until 1 year	1-2 years	2-5 years	5-7 years	7-15 years	>15 years
Accumulated gap	6 129	6 174	6 450	6 513	6 637	6 693

Table 68

The Bank is structurally exposed to the risk of a fall in interest rates. A classical stress test to a 50 b.p. change in interest rates points to a loss in net interest income of 24 M.€[3].

1) Potential maximum loss, with a 99% confidence level, resulting from an unfavourable trend in prices, indices and interest rates over a time span of two weeks, considering in the calculation of overall risk the effect of the correlation of returns. A normal distribution of returns is assumed. Maximum VaR extracted from daily calculations.
2) Customer sight deposits were considered as being not sensitive to the interest rate.
3) This standard test entails the simulation of a 50-basis points drop in the rates of assets and liabilities sensitive to the interest rate on the repricing date and taking into account a one-year time horizon.

MARKET RISKS – STRUCTURAL POSITION OF EXCHANGE RATE RISK

Management process

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

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

Evaluation of the exposure to structural foreign exchange rate risk

In the currency arena, the position in kwanza reaches a significant value due to the participating interest in BFA's capital. The positions in the remaining currencies are of minor significance. A stress test to the structural position (depreciation of 30% in Kwanza and 20% in the remaining currencies) reveals a capital at risk of 121 M.€.

Foreign exchange rate risk
Structural position, at 31 December 2014

Amounts in M.€

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other	Total
Assets[1]					
Cash and deposits at central banks	429	681	777	8	1 894
Amounts owed by credit institutions repayable on demand	297	32	2	49	380
Financial assets held for dealing and at fair value through profit and loss	2 581	211	213	12	3 018
Financial assets available for sale	4 787	1 060	1 714	0	7 561
Loans and advances to credit institutions	639	707	1 242	1	2 589
Loans and advances to Customers	23 068	883	1 216	101	25 269
Investments held to maturity	88				88
Hedging derivatives	146	2		0	149
Other assets	36	65	5	1	107
	32 071	**3 641**	**5 169**	**173**	**41 055**
Liabilities					
Resources of central banks	1 516	45			1 561
Financial liabilities held for dealing	319	5	2	0	327
Credit institutions' resources	1 238	133	0	2	1 372
Clients' resources and other loans	19 041	4 260	4 586	248	28 135
Debts evidenced by certificates	2 177	61			2 238
Financial liabilities associated to transferred assets	1 048				1 048
Hedging derivatives	317	10		0	327
Provisions	77	22	8	1	107
Technical provisions	4 152				4 152
Other subordinated bonds	70				70
	29 954	**4 536**	**4 596**	**251**	**39 337**
Forward currency operations	(1 138)	937	134	112	44
Structural position		**(164)**	**497**	**22**	
Stress test		**(33)**	**149**	**4**	**121**

Table 69

1) Does not include current assets held for sale, given that they are not financial assets.

LIQUIDITY RISK

Management process

Liquidity risk is monitored in terms of its two components: i) in the tradability of the different assets; ii) in its overall context, whereby liquidity risk is defined at grassroots level as the (in)ability to monitor the asset's growth and to satisfy treasury requirements without incurring abnormal losses.

In terms of the different assets, the various managers keep a constant watch over the transaction levels of the various instruments in accordance with a variety of indicators (BPI's market share, number of days to unwind positions, size and volatility of spreads, etc.), although always observing the operating limits set for each market.

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

Liquidity and funding

Liquidity management in the prevailing economic and financial environment was one of the principal priorities during 2014. The equilibrium in the liquidity situation was the dominant aspect:

- in the intermediation business with Customers, Customer resources constitute the principal source of funding. The transformation ratio of deposits into loans was fixed at 106% and 84% respectively in domestic and international operations;
- the Bank reduced by 2.5 th.M.€ the amount of funds raised from the ECB to 1.5 th.M.€ at the close of 2014;
- the Bank held at the end of the year a portfolio of Euro-zone countries' public debt of 3.9 th.M.€, of which 2.5 th.M.€ in Treasury Bills issued by the Portuguese Republic. This portfolio is fully discountable at the ECB for liquidity raising operations. This portfolio decreased over the year by some of 2.5 th.M.€;
- the portfolio of assets eligible for funding from the Eurosystem stood at 9.4 th.M.€ at the end of the year. Of this figure, the amount not yet utilised and therefore capable of being converted into immediate liquidity at the ECB was 6.4 th.M.€;
- net medium and long-term refinancing needs in the next few years are not significant: 1.1 th.M.€ from 2015 to 2018. It is worth noting that 2019 will see the release of substantial liquidity through the repayment of 1.3 thousand M.€ of medium and long-term bonds held by BPI in portfolio.

Short-term gap

BPI's short-term funding gap (domestic operations) declined from -5.9 th.M.€ in December 2013 to -1.9 th.M.€ in December 2014. The main factors behind this trend were:

- positive change in the commercial Gap of 2.3 th.M.€. This change is explained by the reinforcement of resources taken from Customers and the gradual reduction of the loan portfolio;
- sale of public debt in portfolio, namely Portuguese and Italian, and the repayment of corporate issues in portfolio (+1.8 th.M.€);
- 951 M.€ decrease in the Treasury Bills portfolio;
- early redemption of 920 M.€ of contingent convertible subordinated bonds subscribed by the State as part of the capitalisation plan;
- repayment and repurchases of own debt amounting to 354 M.€;
- new debt issued of 300 M.€.

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

GAP at 31 Dec. 13	**(5 920)**
Change in commercial liquidity GAP	2 257
Redemption and repurchases of own debt	(354)
New debt issued	300
Sales and redemption of bonds held	715
Sales of Treasury Bonds	1 053
Change in the Treasury Bills' portfolio	951
Early redemption of contingent capital	(920)
GAP at 31 Dec.14	**(1 918)**

Table 70

At the end of 2014, short-term funding was broken down as follows:

- net debtor position on the money market of 362 M.€ and security repos of 39 M.€;
- funding from the ECB of 1.5 th.M.€.

Financing of short term liquidity position

Amounts in M.€

			2013	2014
Short term lending				
Loans to credit institutions		1	250	463
	[= 1]	2	**250**	**463**
Short term borrowing				
Money market		3	(1 339)	(825)
Repos		4	(831)	(39)
	[= 3 + 4]	5	**(2 170)**	**(865)**
Euro commercial paper		6	0	(16)
Funding from the ECB (net of deposits)		7	(4 000)	(1 500)
	[= Σ 5 to 7]	8	**(6 170)**	**(2 381)**
Total short term gap	[= 1 + 8]	9	**(5 920)**	**(1 918)**

Table 71

ECB funding

At the close of 2014, the Bank had 1 500 M.€ of funds raised from the ECB. Of these, 1 090 M.€ corresponds to the extraordinary liquidity-supply operation which took place in February 2012 with maturity in February 2015. The remaining 410 M.€ corresponds to the 1st phase of the 4-year fixed-rate operation launched by the ECB at the end of 2014 aimed at boosting the provision of lending to the economy, with maturity in 2018.

Portfolio of assets eligible for Eurosystem funding

At the end of 2014, BPI had at its disposal a portfolio of assets eligible for the Eurosystem worth 9 394 M.€ (figures net of price appreciation and haircuts).

Taking into account the portfolio utilisations on that date for repo operations, for the collateralisation of various obligations and for funding from the ECB, BPI had at its disposal the means to raise additional funding from the ECB of 6 415 M.€.

Assets eligible for the Eurosystem

Amounts in M.€

			2013	2014
Total eligible assets[1]		1	**11 138**	**9 394**
of which: assets given as collateral[2]		2	1 596	1 463
Net eligible assets	[= 1 - 2]	3	**9 542**	**7 931**
Used as collateral in funding with ECB		4	4 055	1 516
Available eligible assets	[= 3 - 4]	5	**5 487**	**6 415**

Table 72

The reduction of the portfolio of eligible assets during 2014 essentially reflects the sale of public debt which occurred during the year, namely Portuguese and Italian securities in the aggregate amount of some 2 500 M.€.

Assets eligible for the Eurosystem funding

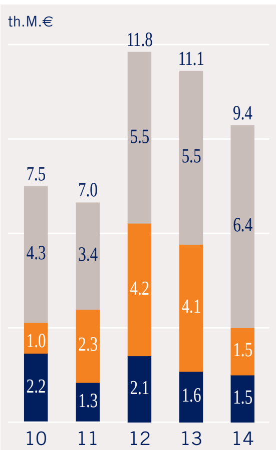


Chart 85

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

Net financing with the ECB

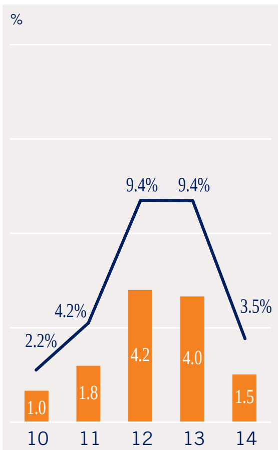


Chart 86

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

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

Outlook for the liquidity situation in 2015

The improvement in the international perception of Portugal's country risk, as well as the expansionist monetary policy currently pursued by the ECB, should contribute to the improvement in conditions for Portuguese banks to access the medium and long-term debt money markets.

Against this backdrop, however, the Bank is not expected to need recourse to the market for funding its activity, preferring the funding of its assets through Customer deposits. The ECB will make available during the course of the year access to funds maturing in 2018 under the TLTRO at fixed cost and equal to the benchmark rate (0.05% in December 2014) for which the Bank has the option to resort to as and when needed.

Already in January 2015, a mortgage bond issue of 865 M.€ has been redeemed. The additional repayments of own debt to take place by the end of the year total a mere 35 M.€, while the repayment of bonds in portfolio amount to 179 M.€.

Between 2016 and 2018, the net refinancing needs of medium and long-term debt to arise between 2016 and 2018 amount to 420 M.€ and result from the repayments of own debt in the amount of 0.9 th.M.€ and portfolio bond redemptions of 0.5 th.M.€. It is also worth mentioning that in 2019 there will be a significant release of liquidity by way of the repayment of 1.3 th.M.€ of medium and long-term bonds held by BPI in portfolio.

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

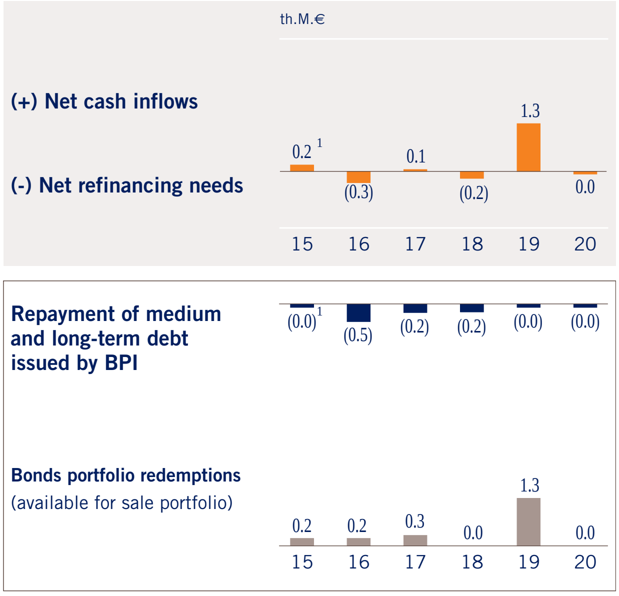


Chart 87

1) After the redemption of a mortgage bonds issue (0.9 th.M.€) in January 2015.

OPERATIONAL RISKS

Management process

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

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

The management of operational risks is in the first instance the responsibility of the Executive Committee of the Board of Directors, and is operationally delegated to the specific Committees. The Operational Risks Committee periodically approves and reviews the principles for the identification, evaluation, control, monitoring and mitigation of operational risks. Likewise, the Business Continuity Committee supervises the implementation of the policies and procedures which, in conformity with the Supervisory Entities' recommendations, are designed to ensure BPI's seamless functioning. Given its specific nature, the Information Security aspect is entrusted to an Information Security Committee which, with the required technical capabilities, oversees and monitors the initiatives whose goals are the control of exposure to those risks.

The management model adopted is based on a system of self-assessment of the risks associated with the processes and in the decentralised recording of incidents. There are operational risk managers at each Division, responsible for the identification and evaluation of operational risks and for prescribing mitigating measures.

The Operational Risks Management Area, integrated in the Organisation and Quality Division, which is permanently and exclusively dedicated to the management of operational risk, conceives and develops the risk-management methodologies, and the preparation and analysis of management information.

The Area, besides ensuring compliance with the governance model instituted, coordinates the local operational risk managers and lends support to the operational implementation of the respective procedures.

Assessment of exposure to operational risk

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

The distribution of occurrences with actual loss in 2014, by type of cause, was as follows[1]:

Losses associated with the occurrence of operational risk in 2014
Breakdown by frequency

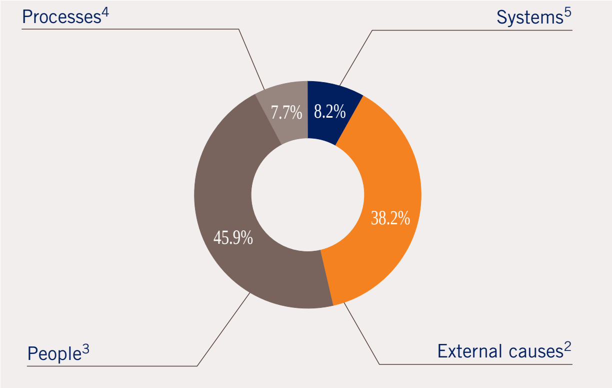


Chart 88

Losses associated with the occurrence of operational risk in 2014
Breakdown by loss amount

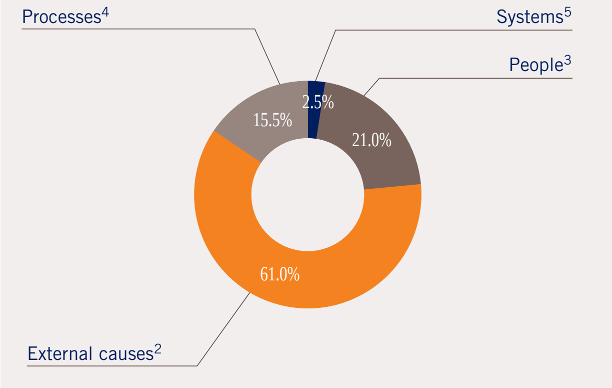


Chart 89

1) These data are valid on the date of the compilation of the report, being subject to alterations according to the evolution of each process.
2) External criminal activity, failures in the provision of contracted services and natural disasters.
3) Human failure in the execution of tasks and unauthorized intentional Employee behaviour.
4) Failures in the definition of policies and / or procedures.
5) Failures in IT and communication systems.

Business continuity

The Business Continuity Plans of each one of the Group's Bodies detail the BPI's response strategy for the incidents capable of jeopardising the security of persons and other assets or of causing business interruption, identifying the alternative procedures and resources for guaranteeing the continuity of critical activities.

These plans and the information underpinning them are located outside the bank at redundancy systems, available and accessible to the respective managers at any moment and at any place.

There are also alternative technological platforms for information and communication systems, guaranteeing the Bank's functioning even under contingency conditions.

A review was carried out in 2014 for all the Bank's areas of the impact on business provoked by the interruption of its operations and, as a consequence, the business continuity plans were updated and tested, introducing improvements that enhance the efficacy of the response to unforeseen incidents. Special attention was paid to the preparation of Continuity Plans for responding to a series of specific incidents whose probability of occurrence was regarded as being important.

For certain of its more critical platforms the Bank consolidated the contingency solutions initiated in 2013. Two trials were held for the activation of the contingency platforms which permitted checking the necessary documentation and verifying the improvements introduced in the recovery procedures and processes. With the assistance of one of the technological partners, work was concluded on the definition of future technological solutions from the standpoint of upgrading the support for operational continuity in conformity with business requirements. The development of these solutions will begin to be implemented according to their criticality and critical business processes.

For the purpose of managing critical IT incidents, complying with the procedures laid down and the focus on the set of elements involved and consequent optimisation of the response time and in the quality of the resolution, the Bank set up a room in Lisbon fully equipped with back-up and monitoring systems, with connections to all of the Bank's main premises and systems, and backed by a redundant energy and communications infrastructure. For 2015 the Bank will establish a similar installation in Oporto.

Information security

The existence of operations' teams dedicated to Information Security ensures permanent monitoring, both as regards the aspect of risk evaluation and the implementation of mitigation measures and in terms of the response to any incidents.

The management of information-security risks is integrated into the management model for the operational risks with the closest link to the information systems.

In 2014 work continued on boosting the security-monitoring systems and reinforcing the means employed in the detection and response to computer-related threats.

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

LEGAL RISKS

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

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

ADOPTION OF THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND OF THE COMMITTEE OF EUROPEAN BANKING SUPERVISORS RELATING TO THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Bank of Portugal, through the circular-letters 97 / 08 / DSBDR of 3 December 2008 and 58 / 09 / DSBDR of 5 August 2009, has recommended that, in the accounting reporting, a separate chapter or a specific annex is prepared as part of the Annual and Interim Reports, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to the Bank of Portugal's circular-letter 46 / 08 / DSBDR.

In order to comply with the Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the Report and Accounts for 2014.

Recommendation Summary	Cross-reference for Annual Report 2014
I. BUSINESS MODEL 1. Description of the business model	*DR – Financial and business structure, page 16.*
2. Description of strategies and objectives	*DR – Presentation of the report, page 7; Financial review, page 64; Risk Management, page 99.*
3. Description of the importance of the operations carried out and the respective contribution to business	*DR – Domestic Commercial Banking, page 41; Bancassurance, page 52; Asset management, page 53; Investment banking, page 55; International activity, page 58; Financial review, page 64;* *NFS – 3. Segment reporting, page 160.*
4. Description of the type of activities undertaken	*DR – Domestic Commercial Banking, page 41; Bancassurance, page 52; Asset management, page 53; Investment banking, page 55; International activity, page 58; Background to operations, page 31; Financial review, page 64; Risk Management, page 99.*
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken	
II. RISK AND RISK MANAGEMENT 6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments utilised	*DR – Risk Management, page 99;* *NFS – 4.49. Financial Risks, page 223 and following.*
7. Description of major risk-management practices in operations	*DR – Risk Management, page 99;* *NFS – 4.49. Financial Risks, page 223 and following;* *CGovR – III. Internal Control and Risk Management, page 314.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS 8. Qualitative and quantitative description of the results	*DR – Financial review, page 64.*
9. Breakdown of the "write-downs" / losses by types of products and instruments affected by the period of turbulence	*NFS – 4.5. Available-for-sale financial assets, page 166, 4.7. Loans to Customers, page 173, 4.22. Provisions and impairments, page 198, 4.41. Net gains / losses from financial operations, page 216; 4.49. Financial Risks, page 223.*
10. Description of the reasons and factors responsible for the impact suffered	*DR – Financial review, page 64; Background to operations, page 31.*
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	*DR – Financial review, page 64.*
12. Breakdown of the write-downs between realised and unrealised amounts	*DR – Financial review, page 64;* *NFS – 4.5. Available-for-sale financial assets, page 166; 4.7. Loans to Customers, page 173; 4.41. Net gains / losses from financial operations, page 216 and 4.22. Provisions and impairments, page 198.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	*DR – Banco BPI Share, page 126.*
14. Disclosure of the maximum loss risk	*DR – Risk Management, page 99;* *NFS – 4.49. Financial Risks, page 223 and following.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	*DR – Financial review, pages 77 and 92.* *The Bank did not revalue its liabilities.*

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

Recommendation Summary	Cross-reference for Annual Report 2014
IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD 16. Nominal value (or amortised cost) and fair value of exposures	*NFS – 4.49. Financial Risks, page 223 and following and 4.5 Available-for-sale financial assets, page 166.*
17. Information about credit risk mitigation and respective effects on existing exposures	*DR – Risk Management, page 99 and following.*
18. Detailed disclosure of exposures	*DR – Risk Management, page 99;* *NFS – 4.49. Financial Risks, page 223 and following, 4.5. Available-for-sale financial assets, page 166 and 4.7. Loans to Customers, page 173.*
19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)	*DR – Financial review, pages 89 and 96.*
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*The BPI Group consolidates all the exposures in which it has significant control or influence, as envisaged in IFRS 10,11, IAS 28 and IFRS 3. No changes were made to the BPI Group's consolidation scope as a consequence of the turbulent period in the financial markets.*
21. Exposure to "mono-line" insurers and quality of insured assets	*At 31 December 2014, BPI's exposure to mono-line insurers was totally indirect and stemmed from the existence of a portfolio position, the interest and principal of which were unconditionally guaranteed by this type of company. There were no losses worth noting, given that this security was not in default. At the end of 2014, BPI exposure to mono-line insurers amounted to 3.7 M.€ (book value).*
V. ACCOUNTING AND VALUATION POLICIES 22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment	*NFS – 2.3. Financial assets and liabilities, page 145; 2.3.3. Available-for-sale financial assets, page 145; 2.3.4. Loans and other receivables, page 146; 4.21. Financial liabilities associated with transferred assets, page 195.*
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the turbulent period	*The vehicles through which Banco BPI's debt securitisation operations are effected are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held of the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	*NFS – 4.49. Financial Risks, page 223 and following.*
25. Description of the modelling techniques utilised for valuing financial instruments	*NFS – 2.3. Financial assets and liabilities, page 145 and 4.49. Financial Risks, page 223 and following.*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS 26. Description of disclosure policies and principles which are used in financial reporting	*CGovR– IV. Investor Relations, page 317.*

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

Banco BPI shares

STOCK MARKET PERFORMANCE

Banco BPI shares ended 2014 at 1.026 euro, down 16% in the year. In the same period the Portuguese PSI-20 index retreated 27%, while the European banking sector – represented by the DJ Europe Stoxx Banks – shed 3%.

In the first quarter of the year, Banco BPI shares benefited from the early redemption of the contingent convertible subordinated bonds subscribed by the Portuguese State, which was completed in June 2014, three years ahead of the period initially projected, as well as its lower exposure to public debt.

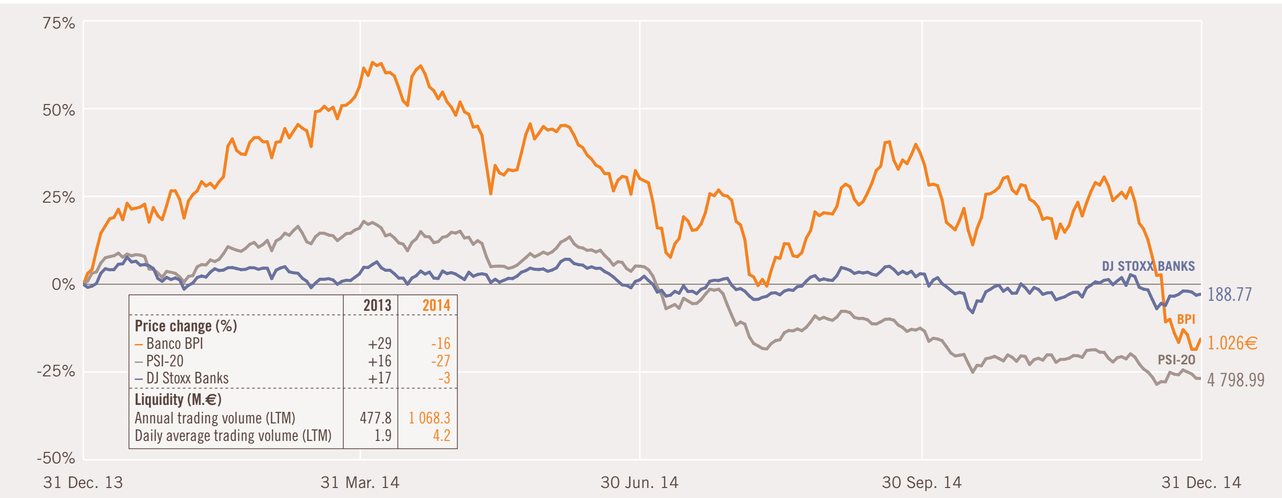
The rising risk of deflation in Europe and the concerns about the Euro zone's growth, the continuing decline in the oil price, and tensions in the Ukraine and Russia, as well as the fears surrounding the Chinese economy's deceleration, and, at the end of the year, the uncertainty concerning the outcome of the elections in Greece, contributed to the equity markets' lacklustre performance from the second quarter of the year.

At the beginning of August, the collapse of the Espírito Santo Group which led to the resolution of BES exerted pressure on the Portuguese banking system and undermined the country's credibility, having a negative impact on the shares of national banks.

The positive results achieved by Banco BPI in the *Comprehensive Assessment*, in which BPI was positioned as the best Iberian bank after the AQR, permitted recouping part of the fall in the Bank's share price at the end of the third quarter of 2014.

On the other hand, in December concerns about the impact on capital and on Banco BPI' large risks limit resulting from the non-inclusion of Angola – where BPI is present through the 50.1% stake in Banco Fomento de Angola – on the list which includes only 17 countries and territories that the European Commission considers as having regulations and supervision on a par with those of the European Union, heavily penalised the shares at the close of the year.

Already in February 2015, CaixaBank made public the preliminary announcement of a takeover bid for Banco BPI shares at a price of 1.329 euro per share.



	2013	2014
Price change (%)		
– Banco BPI	+29	-16
– PSI-20	+16	-27
– DJ Stoxx Banks	+17	-3
Liquidity (M.€)		
Annual trading volume (LTM)	477.8	1 068.3
Daily average trading volume (LTM)	1.9	4.2

Chart 90

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

Listing on the Euronext Lisbon
Index weighting (31 Dec. 14)
PSI-20: 2.36%; #12
Next 150: 0.77%[1]

1) On 7 January 2015.

Banco BPI shares
Selected indicators

	2010	2011	2012	2013	2014
Data per share (€)[1]					
Cash flow after taxation	0.379	0.461	0.510	0.259	0.074
Net profit	0.184	(0.284)	0.216	0.048	(0.115)
Dividend	-	-	-	-	-
Book value	1.441	0.467	1.235	1.389	1.467
Weighted average no. of shares (in millions)[1]	1 003.5	1 003.8	1 154.6	1 383.7	1 422.3
Market valuation indicators					
Price as a multiple of:					
Cash flow after taxation (PCF)	3.3	1.0	1.9	4.7	13.8
Net profit (P/E)	6.7	(1.7)	4.4	25.2	(8.9)
Book value (PBV)	0.9	1.0	0.8	0.9	0.7
Earnings yield[2]	9.8%	(23.0%)	45.8%	5.1%	(9.5%)
Stock market capitalisation (M.€)	1 247	476	1 311	1 690	1 495

Table 73

TREASURY SHARES

Banco BPI manages a portfolio of own shares created for the purpose of executing the variable-remuneration scheme (Portuguese initials RVA) for Employees and Executive Directors. In this regard, the transactions referred to below were realised in 2014.

At the end of 2014, Banco BPI held 6 181 589 treasury shares (0.42% of capital).

Banco Português de Investimento, S.A., the entity 100% owned by Banco BPI, and the other subsidiaries whose management is controlled by Banco BPI, did not own any Banco BPI shares at the end of December 2014.

Treasury shares transactions in 2014

Amount and price in euros

	No. shares held (31 Dec. 13)	Acquisition			Disposal			Total turnover (amount)	No. shares held (31 Dec. 14)[3]
		Quantity	Amount	Average price	Quantity	Amount	Average price		
Banco BPI	6 117 252	4 000 615	6 055 241	1.51	3 936 278	6 278 438	1.60	7 936 893	6 181 589
Over-the-counter		615	990	1.61	3 936 278	6 278 438	1.60	3 936 893	
In the stock exchange		4 000 000	6 054 251	1.51				4 000 000	
Banco Português de Investimento	0	150 184	228 086	1.52	150 184	227 939	1.52	300 368	0
Over-the-counter		53 150	76 366	1.44				53 150	
In the stock exchange		97 034	151 720	1.56	150 184	227 939	1.52	247 218	
Total	**6 117 252**	**4 150 799**	**6 283 327**	**1.51**	**4 086 462**	**6 506 377**	**1.59**	**8 237 261**	**6 181 589**
% of share capital	**0.44%**	**0.29%**			**0.29%**			**0.58%**	**0.42%**

Table 74

1) Amounts adjusted for capital increases with cash contribution in June 2012 and through the incorporation of reserves in May 2011.
2) Earnings per share recorded in the year divided by the BPI share price at 31 December of the preceding year.
3) The balance of treasury shares at the end of 2014 does not include 550 617 shares awarded under the condition subsequent as part of the RVA scheme but not yet freely disposable. The transfer of the ownership of the shares awarded under the RVA scheme is wholly effected on the award date, but their availability is dependent on Employees continuing to work for the BPI Group, with the result that for accounting purposes, the shares remain in Banco BPI's treasury shares portfolio up until the date they become freely disposable, but whose reporting of transactions to the CMVM and to the market occurs at the time of the award.

Rating

Midway through 2014 Portugal exited from the External Financial Assistance Programme, which was mirrored in the rating agencies' improved outlook for the Portuguese Republic's sovereign risk.

The rating agencies' chief initiatives relating to Portugal during the year were the following:

- Fitch revised upwards the Outlook from negative to positive;
- Moody's raised the long-term rating from Ba3, where it had been placed in February 2012, to Ba2, and subsequently to Ba1;
- S&P upgraded the Outlook from negative to stable and, already in 2015, to positive.

The ratings attributed to Banco BPI remained stable throughout the year. As concerns the Outlook attributed by S&P to Banco BPI, it advanced from negative at the start of the year to stable at the close of 2014.

The following are the current long / short-term ratings given to Banco BPI and respective Outlook:

- Moody's: Ba3 / Not Prime with Negative Outlook;
- S&P: BB- / B with Stable Outlook;
- Fitch: BB+ / B with Negative Outlook.

In the wake of the takeover bid launched by CaixaBank for Banco BPI's shares, the rating agencies made the following changes:

- Moody's placed the long-term rating on *Review for Upgrade*;
- S&P placed the long-term rating on *CreditWatch Developing*;
- Fitch placed the long-term rating on *Rating Watch Evolving* and the short-term rating on *Rating Watch Positive*.

	FitchRatings	Moody's	Standard & Poor's
Banco BPI credit rating			
Long term	BB+	Ba3	BB-
Short term	B	Not prime	B
Outlook	Negative	Negative	Stable
Individual rating	Viability rating bb	Financial strength (BFSR) E+	Stand-alone credit profile (SACP) bb-
Collateralised senior debt			
▪ Mortgage	BBB+	Baa2	
▪ Public sector		Baa3	
Non-collateralised senior debt		Ba3	BB-
▪ Long term	BB+		
▪ Short term	B	Not prime	B
Subordinated debt	BB-	B2	B-
Subordinated junior debt		B3	
Commercial paper	B	Not prime	B
Other short-term debt	B	Not prime	B
Preference shares	B	Caa1 (hyb)	CCC
Portuguese Republic sovereign risk[1]			
Long term	BB+	Ba1	BBu
Short term	B	Not prime	Bu
Outlook	Positive	Stable	Positive

Figure 4

Fitch Ratings: rating decision on 25 November 2011. On 4 July 2014, Fitch Ratings reaffirmed BPI credit rating notations (LT / ST), with a negative Outlook, and upgraded the stand-alone credit rating notation (viability rating) from bb- to bb.
Moody's: rating decision on 28 March 2012. On 29 July 2014 Moody's reaffirmed the credit ratings (LT / ST), with negative Outlook.
Standard & Poor's: rating decision of 14 February 2012. On 23 December 2014 Standard & Poor's reaffirmed the credit ratings (LT / ST), and downgraded the Outlook from positive to stable.
1) The ratings given by S&P to the Portuguese Republic are "u" – unsolicited.

Proposed appropriation of net income

Whereas:

a) Banco BPI, S.A. reported a consolidated net loss of € 163 623 145 and an individual net loss of € 217 179 091 in 2014;

b) Banco BPI's net worth, as evinced in its individual balance sheet as at 31 December 2014, which forms part of the report and accounts examined under item 1 of the agenda of the 29 April 2015 General Meeting, includes losses brought forward totalling € 9 686 192.06 as a result of the amortisation of the impacts of the transitioning to IAS registered in 2014;

In view of the preceding paragraphs, the Board of Directors proposes that:

1. the € 217 179 091.09 loss reported in the individual accounts for the 2014 financial year, be transferred to item "Profit (Loss) Carried Forward";

2. that in order to cover the amount of € 226 865 283.15 euros of loss carried forward in the aforesaid item "Profit (Loss) Carried Forward", € 226 865 283.15 be transferred thereto from item "Other Reserves".

The Board of Directors

Final acknowledgements

In 2014 BPI was subjected together with 130 other European banks to a Comprehensive Assessment Process conducted by the ECB in cooperation with national supervisory bodies. This process involved an Asset Quality Review (AQR) covering credit and market risks, as well as a Stress Test, carried out with the support of the European Banking Authority, with the object of simulating the institutions' resistance capability to adverse economic conditions. BPI was classified as the best Iberian bank in the AQR and in the stress test baseline scenario.

In general terms and in particular with respect to this assessment exercise, the Board of Directors wishes to thank the unceasing cooperation of the Authorities, as well as the hard work and professionalism of our Employees, without overlooking the loyalty always demonstrated by our Customers.

On 31 December 2013, the governing bodies' term of office ended which had begun in 2011. The Shareholders' General Meeting of 23 April 2014 elected the governing bodies for the period 2014-2016, while the functions of two members of the Board of Directors, Klaus Dürkhop and António Farinha de Morais, and one member of the Supervisory Board, José Neves Adelino, terminated on that date. The Board of Directors expresses its great appreciation for the high intellectual quality and exceptional professionalism with which these three persons contributed to the Bank's growth. A special word of acknowledgement is due to António Farinha de Morais, member of the Executive Committee since 2002, who relinquished office on attaining the age limit imposed by the statutes for the performance of executive functions.

On 25 June, following the full redemption of the contingent capital, Miguel Artiaga Barbosa ceased functions as the State's representative on the Supervisory Board, to whom we also express our gratitude for his important collaboration.

The resignation of the Board member Juan Maria Nin became definitive on 31 August 2014, when he left the La Caixa Group where he occupied the office of first executive responsible for CaixaBank. To fill the resulting vacancy, the Board decided on 24 October to co-opt the prominent La Caixa Group senior executive António Massanell Lavilla, which co-option will be submitted to the ordinary session of the Shareholders General Meeting scheduled for 2015.

In January 2015, Herbert Walter resigned his position of Board member, at the same time as ceasing his functions on the Financial Risks Committee. Herbert Walter was appointed by the German government to the post of President of the Federal Agency for Financial Market Stabilisation (FMSA), a position that is incompatible with occupying a position at a private credit institution. The Board heartily congratulates Herbert Walter on this appointment and highlights the great contribution he always made to the Bank in the important functions he discharged over the past ten years.

Lisbon, 26 March 2015

The Board of Directors

Consolidated financial statements

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2014 AND 2013 PROFORMA

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

		31 Dec. 14			31 Dec. 13 Proforma	1 Jan. 13 Proforma
	Notes	Amounts before impairment, depreciation and amortisation	Impairment, depreciation and amortisation	Net	Net	Net
ASSETS						
Cash and deposits at central banks	4.1	1 894 203		1 894 203	1 372 211	1 269 365
Deposits at other credit institutions	4.2	380 475		380 475	469 487	458 246
Financial assets held for trading and and at fair value through profit or loss	4.3 / 4.4	3 017 733		3 017 733	1 317 558	1 131 926
Financial assets available for sale	4.5	7 637 902	112 124	7 525 778	9 624 243	10 208 611
Loans and advances to credit institutions	4.6	2 588 819	2	2 588 817	1 886 070	1 710 727
Loans and advances to Customers	4.7	26 305 630	1 036 661	25 268 969	25 965 133	27 346 822
Held to maturity investments	4.8	88 382		88 382	136 877	445 298
Hedging derivatives	4.4	148 693		148 693	194 043	280 737
Non-current assets held for sale	4.9	20 136	8 532	11 604		
Investment properties	4.10	154 777		154 777	164 949	169 606
Other tangible assets	4.11	719 890	515 651	204 239	197 337	210 689
Intangible assets	4.12	117 044	92 161	24 883	19 149	14 017
Investments in associated companies and jointly controlled entities	4.13	212 980		212 980	221 992	202 255
Tax assets	4.14	422 531		422 531	539 692	617 692
Other assets	4.15	715 625	30 839	684 786	711 671	652 524
Total assets		**44 424 820**	**1 795 970**	**42 628 850**	**42 820 412**	**44 718 515**
LIABILITIES						
Resources of central banks	4.16			1 561 185	4 140 068	4 270 918
Financial liabilities held for trading	4.17 / 4.4			326 785	255 245	340 164
Resources of other credit institutions	4.18			1 372 441	1 453 249	2 568 421
Resources of Customers and other debts	4.19			28 134 617	25 630 473	24 778 660
Debt securities	4.20			2 238 074	2 598 455	3 787 627
Financial liabilities relating to transferred assets	4.21			1 047 731	1 387 296	1 590 984
Hedging derivatives	4.4			327 219	548 458	814 983
Provisions	4.22			107 333	124 037	138 498
Technical provisions	4.23			4 151 830	2 689 768	2 255 364
Tax liabilities	4.24			42 630	57 711	120 262
Contingent convertible subordinated bonds	4.25				920 433	1 200 279
Other subordinated debt and participating bonds	4.26			69 521	136 931	156 331
Other liabilities	4.27			703 836	591 059	643 357
Total liabilities				**40 083 202**	**40 533 183**	**42 665 848**
SHAREHOLDERS' EQUITY						
Subscribed share capital	4.29			1 293 063	1 190 000	1 190 000
Other equity instruments	4.30			5 270	3 414	8 558
Revaluation reserves	4.31			(51 143)	(362 336)	(507 502)
Other reserves and retained earnings	4.32			1 057 640	1 040 707	785 960
(Treasury shares)	4.30			(13 828)	(17 090)	(18 272)
Consolidated net income of the BPI Group	4.47			(163 623)	67 015	249 135
Shareholders' equity attributable to the shareholders of BPI				**2 127 379**	**1 921 710**	**1 707 879**
Minority interests	4.33			418 269	365 519	344 788
Total shareholders' equity				**2 545 648**	**2 287 229**	**2 052 667**
Total liabilities and shareholders' equity				**42 628 850**	**42 820 412**	**44 718 515**
OFF BALANCE SHEET ITEMS						
Guarantees given and other contingent liabilities	4.34			2 168 711	2 106 771	3 012 038
Of which:						
[Guarantees and sureties]				[1 826 825]	[1 832 700]	[2 820 405]
[Others]				[341 886]	[274 071]	[191 633]
Commitments	4.34			3 355 940	3 020 342	3 856 696

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

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF INCOME
FOR YEARS ENDED 31 DECEMBER 2014 AND 2013 PROFORMA

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	Notes	31 Dec. 14	31 Dec. 13 Proforma
Interest and similar income		1 290 123	1 404 077
Interest and similar expenses		(804 795)	(958 817)
Financial margin (narrow sense)	**4.35**	**485 328**	**445 260**
Gross margin on unit links	4.36	5 029	3 010
Income from equity instruments	4.37	3 612	2 985
Net commission relating to amortised cost	4.38	20 484	23 772
Financial margin		**514 453**	**475 027**
Technical result of insurance contracts	4.39	34 393	24 756
Commissions received		322 588	307 813
Commissions paid		(47 637)	(41 564)
Other income, net		37 222	42 580
Net commission income	**4.40**	**312 173**	**308 829**
Gain and loss on operations at fair value		157 903	124 198
Gain and loss on assets available for sale		(135 005)	132 281
Interest and financial gain and loss with pensions		1 991	4 193
Net income on financial operations	**4.41**	**24 889**	**260 672**
Operating income		33 236	23 031
Operating expenses		(44 428)	(37 073)
Other taxes		(17 010)	(7 818)
Net operating income	**4.42**	**(28 202)**	**(21 860)**
Operating income from banking activity		**857 706**	**1 047 424**
Personnel costs	4.43	(402 538)	(386 806)
General administrative costs	4.44	(238 219)	(232 449)
Depreciation and amortisation	4.11/4.12	(30 770)	(31 376)
Overhead costs		**(671 527)**	**(650 631)**
Recovery of loans, interest and expenses		16 472	17 602
Impairment losses and provisions for loans and guarantees, net	4.22	(193 191)	(272 648)
Impairment losses and other provisions, net	4.22	(45 266)	12 029
Net income before income tax		**(35 806)**	**153 776**
Income tax	4.45	(30 663)	(20 463)
Earnings of associated companies (equity method)	4.46	26 125	27 099
Global consolidated net income		**(40 344)**	**160 412**
Income attributable to minority interests	4.33	(123 279)	(93 397)
Consolidated net income of the BPI Group	**4.47**	**(163 623)**	**67 015**
Earnings per share (in euro)			
Basic		-0,115	0,048
Diluted		-0,115	0,048

The accompanying notes form an integral part of these statements.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEARS ENDED 31 DECEMBER 2014 AND 2013 PROFORMA

	31 Dec. 14		
	Attributable to shareholders of the BPI Group	**Attributable to minority interests**	**Total**
Consolidated net income	**(163 623)**	**123 279**	**(40 344)**
Income not included in the consolidated statements of income:			
Items that will not be reclassified to net income			
Actuarial deviations	(93 291)		(93 291)
Tax effect	17 892		17 892
	(75 399)		**(75 399)**
Items that may be reclassified subsequently to net income			
Foreign exchange translation differences	24 796	23 763	48 559
Revaluation reserves of financial assets available for sale:			
Revaluation of financial assets available for sale	240 311		240 311
Tax effect	(71 430)		(71 430)
Transfer to income resulting from sales	135 544		135 544
Tax effect	(37 137)		(37 137)
Transfer to income resulting from impairment recognized in the period	25 844		25 844
Tax effect	(6 735)		(6 735)
Valuation of assets of associated companies	22 178		22 178
Tax effect	(6 217)		(6 217)
	327 154	**23 763**	**350 917**
Income not included in the consolidated statements of income	**251 755**	**23 763**	**275 518**
Consolidated comprehensive income	**88 132**	**147 042**	**235 174**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

31 Dec. 13 Proforma		
Attributable to shareholders of the BPI Group	**Attributable to minority interests**	**Total**
67 015	**93 397**	**160 412**
(5 134)		(5 134)
2 164		2 164
(2 970)		**(2 970)**
(21 219)	(21 029)	(42 248)
361 236		361 236
(104 068)		(104 068)
(130 703)		(130 703)
38 254		38 254
2 359		2 359
(693)		(693)
7 515		7 515
(2 166)		(2 166)
150 515	**(21 029)**	**129 486**
147 545	**(21 029)**	**126 516**
214 560	**72 368**	**286 928**

The accompanying notes form an integral part of these statements.

The Board of Directors

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEARS ENDED 31 DECEMBER 2014 AND 2013 PROFORMA

	Subscribed share capital	Other equity instruments	Revaluation reserves
Balance at 31 December 2012	**1 190 000**	**8 558**	**(507 614)**
Change in consolidation perimeter impact			112
Balance at 1 January 2013 Proforma	**1 190 000**	**8 558**	**(507 502)**
Appropriation of net income for 2012 to reserves			
Dividends paid on preference shares			
Dividends paid to minority interests			
Variable Remuneration Program (RVA)		(5 144)	
Sale / purchase of treasury shares			
Sale / purchase of preference shares			
Comprehensive income for 2013 Proforma			145 166
Other			
Balance at 31 December 2013 Proforma	**1 190 000**	**3 414**	**(362 336)**
Appropriation of net income for 2013 to reserves			
Exchange operation of subordinated debt and preference shares for shares	103 063		
Dividends paid on preference shares			
Dividends paid to minority interests			
Variable Remuneration Program (RVA)		1 856	
Sale / purchase of treasury shares			
Comprehensive income for 2014			311 193
Other			
Balance at 31 December 2014	**1 293 063**	**5 270**	**(51 143)**

The Accountant

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

Other reserves and retained earnings	Treasury shares	Net income	Minority interests	Shareholders' equity
786 175	**(18 272)**	**249 135**	**352 662**	**2 060 644**
(215)			(7 874)	(7 977)
785 960	**(18 272)**	**249 135**	**344 788**	**2 052 667**
249 135		(249 135)		
			(1 088)	(1 088)
			(50 626)	(50 626)
	1 182			(3 962)
3 396				3 396
(3)			42	39
2 379		67 015	72 368	286 928
(160)			35	(125)
1 040 707	**(17 090)**	**67 015**	**365 519**	**2 287 229**
67 015		(67 015)		
12 484			(48 998)	66 549
			(1 108)	(1 108)
			(44 186)	(44 186)
	3 262			5 118
(3 096)				(3 096)
(59 438)		(163 623)	147 042	235 174
(32)				(32)
1 057 640	**(13 828)**	**(163 623)**	**418 269**	**2 545 648**

The accompanying notes form an integral part of these statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2014 E 2013 PROFORMA

	31 Dec. 14	31 Dec. 13 Proforma
Operating activities		
Interest, commissions and similar income received	3 627 980	2 633 999
Interest, commissions and similar expenses paid	(2 682 698)	(1 665 087)
Recovery of loans and interest in arrears	16 472	17 602
Payments to personnel and suppliers	(598 244)	(600 561)
Net cash flow from income and expenses	363 510	385 953
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	846 938	1 185 393
Loans and advances to credit institutions	(695 242)	(178 036)
Loans and advances to Customers	534 047	1 198 064
Investment Properties	10 172	4 658
Other assets	(42 704)	(134 510)
Net cash flow from operating assets	653 211	2 075 569
Increase (decrease) in:		
Resources of central banks and other credit institutions	(2 620 418)	(1 269 359)
Resources of Customers	3 933 611	1 302 260
Financial liabilities held for trading	71 540	(84 919)
Other liabilities	(182 815)	(339 821)
Net cash flow from operating liabilities	1 201 918	(391 839)
Contributions to the Pension Funds	(10 654)	(2 975)
Income tax paid	(26 002)	(69 334)
	2 181 983	**1 997 374**
Investing activities		
Purchase of other tangible assets and intangible assets	(37 099)	(35 371)
Sale of other tangible assets	73	96
Dividends received and other income	35 196	13 405
	(1 830)	**(21 870)**

The accompanying notes form an integral part of these statements.

(Translation of statements originally issued in Portuguese – note 5)
(Amounts expressed in thousands of euro)

	31 Dec. 14	31 Dec. 13 Proforma
Financing activities		
Liability for assets not derecognised	(340 035)	(202 661)
Redemption of contingent convertible subordinated bonds	(920 000)	(280 000)
Issuance of debt securities and subordinated debt	410 129	195 333
Redemption of debt securities	(1 069 758)	(1 667 139)
Purchase and sale of own debt securities and subordinated debt	336 256	330 410
Purchase and sale of preference shares	(11 843)	
Interest on contingent convertible subordinated bonds	(27 108)	(84 785)
Interest on debt securities and subordinated debt	(81 527)	(95 436)
Dividends paid on preference shares	(1 108)	(1 088)
Dividends distributed to minority interests	(44 186)	(50 626)
Purchase and sale of treasury shares	2 021	(566)
	(1 747 159)	**(1 856 558)**
Net increase (decrease) in cash and equivalents	432 994	118 946
Cash and equivalents at the beginning of the year	1 841 667	1 722 721
Cash and equivalents at the end of the year	**2 274 661**	**1 841 667**

The accompanying notes form an integral part of these statements.

The Accountant

Alberto Pitôrra

The Board of Directors

Chairman Artur Santos Silva

Deputy-Chairman Fernando Ulrich

Members Alfredo Rezende de Almeida
António Domingues
António Lobo Xavier
Armando Leite de Pinho
Carla Bambulo
Carlos Moreira da Silva
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Isidro Fainé Casas
João Pedro Oliveira e Costa
José Pena do Amaral
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Tomaz Jervell

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

(Unless otherwise indicated, all amounts are expressed in thousands of euro – th. euro)
(These notes are a translation of notes originally issued in Portuguese – note 5)

1. THE FINANCIAL GROUP

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

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

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

In 2013 the BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux)[1] was founded. At 31 December 2014, the BPI Group, through Banco BPI and BPI Vida e Pensões – Companhia de Seguros, S.A., held 57.3% of the participating units of the fund, its financial statements being included in the financial statements of the BPI Group in accordance with the full consolidation method. In October 2013 the BPI Alternative Fund: Iberian Equities Long / Short Fund (Portugal) was liquidated, its operations now being carried out by BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux).

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

In 2014 due to the entry into force of IFRS 10 – Consolidated Financial Statements, the BPI Group started consolidating the funds[1] BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações, Imofomento – Fundo de Investimento Imobiliário Aberto and BPI Strategies, Ltd., in which it holds 48.4%, 45.4% and 59.1% of the participating units, respectively, in accordance with the full consolidation method. Although the BPI Group holds less than 50% of the participating units of Fundo Imofomento, it is consolidated by the full consolidation method, given that the BPI Group has control over the related fund management company and holds more than 20% of the participating units.

In 2014 there was a split-merger operation, which involved the separation of some activities carried out by Banco Português de Investimento, S.A. for incorporation into Banco BPI, S.A. Under this operation, which was only an internal reorganization, the BPI Group maintained its configuration, the following activities being now carried out by Banco BPI:

- Private Banking;
- reception of deposits and other repayable funds, means of payment and recording and deposit of financial instruments;
- online brokerage, and
- management of financial participations.

In 2014 the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A. was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE, as the requirements of IFRS 5 for this classification were met, namely the existence of negotiations to sell the investment in the short term.

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

1) Funds managed by asset management companies controlled by the BPI Group.

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

	Head office	Share-holder's equity	Total assets	Net Income (loss) for the year	Direct partici-pation	Effective partici-pation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 422 426	37 316 797	(217 179)			
Banco Português de Investimento, S.A.	Portugal	33 538	81 458	2 705	100.00%	100.00%	Full consolid.
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	182 587	2 388 917	38 858	30.00%	30.00%	Equity Method
Banco de Fomento Angola, S.A.	Angola	834 596	8 571 080	253 973	50.09%	50.10%	Full consolid.
Banco BPI Cayman, Ltd.	Cayman Islands	160 487	305 855	2 366		100.00%	Full consolid.
Asset management companies							
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	Portugal	17 334	31 827	7 174	100.00%	100.00%	Full consolid.
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	2 926	7 693	1 660	100.00%	100.00%	Full consolid.
BPI (Suisse), S.A.	Switzerland	13 187	14 818	3 939	100.00%	100.00%	Full consolid.
BPI Alternative Fund: Iberian Equities Long / Short Fund (Lux)[1]	Luxembourg	188 452	202 286	9 414	40.10%	55.67%	Full consolid.
BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações[1]	Portugal	28 042	28 224	388	18.41%	48.44%	Full consolid.
BPI Strategies, Ltd.	Cayman Islands	33 311	33 552	1 092	59.07%	59.07%	Full consolid.
Imofomento – Fundo de Investimento Imobiliário Aberto[1]	Portugal	152 613	157 172	1 739	35.57%	45.40%	Full consolid.
Venture Capital Companies							
BPI Private Equity – Sociedade de Capital de Risco, S.A.	Portugal	34 432	36 374	(712)	100.00%	100.00%	Full consolid.
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	1 448	2 086	488		49.00%	Equity Method
Insurance Companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	148 343	5 354 380	26 208	100.00%	100.00%	Full consolid.
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	59 817	105 194	11 002	50.00%	50.00%	Equity Method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	267 348	1 251 528	20 041	35.00%	35.00%	Equity Method
Others							
BPI Capital Finance Ltd.[2]	Cayman Islands	1 810	1 817	(11 735)	100.00%	100.00%	Full consolid.
BPI Capital Africa (Proprietary) Limited	South Africa	(3 794)	1 498	(1 401)		100.00%	Full consolid.
BPI, Inc.	U.S.A	698	698	(228)	100.00%	100.00%	Full consolid.
BPI Locação de Equipamentos, Lda.	Portugal	1 102	1 107	(9)	100.00%	100.00%	Full consolid.
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	152 840	157 974	(13)	100.00%	100.00%	Full consolid.
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	1 103	1 231	(510)	98.40%	100.00%	Full consolid.
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	98 274	334 788	10 249	21.01%	21.01%	Equity Method

Note: Unless otherwise indicated, all amounts are as of 31 December 2014 (accounting balances before consolidation adjustments). The financial statements of subsidiaries, associates and jointly controlled entities are pending approval by the respective governing bodies. However, the Board of Directors of Banco BPI believes that there will be no changes with significant impact on the consolidated income of the Bank.

1) Funds managed by asset management companies controlled by the BPI Group.

2) Share capital is made up of 5 000 ordinary shares of 1 Euro each, and 1 786 000 non-voting preference shares of 1 euro each. Considering the total share capital of the company, the effective participation of the BPI Group in this company corresponds to 0,28%.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) BASES OF PRESENTATION

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

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union

The standards (new or revised) and interpretations applicable to the operations of the BPI Group reflected in the financial statements as of 31 December 2014, are as follows:

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

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

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

- IAS 36 – Impairment: this standard was amended to eliminate the requirements to disclose the recoverable amount of a cash generating unit with goodwill or intangible assets with undefined useful lives allocated to periods in which no impairment loss or impairment reversal was recognized. It introduces additional disclosure requirements for assets for which impairment loss or impairment reversal was recognized and their recoverable amount was determined based on fair value less costs to sell. This amendment is mandatory for years beginning on or after 1 January 2014.

- IAS 39 – Financial Instruments: Recognition and Measurement: this amendment allows, under certain circumstances, continuation of hedge accounting when a derivative designated as an hedging instrument is reformulated. This amendment is mandatory for years beginning on or after 1 January 2014.

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

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

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

- IFRS 10 – Consolidated Financial Statements and IFRS 12 – Disclosure of Interests in Other Entities: changes were made to these standards to exempt the consolidation of certain entities that meet the definition of investment entity. It also establishes rules for measurement of investments held by these investment entities. These standards are of mandatory application for years beginning on or after 1 January 2014.

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

The impact of the implementation of the new requirements of IFRS 10 is explained in note 2.1 – Comparability of information. Application of the other aforementioned standards did not have a significant impact on the accompanying financial statements.

At 31 December 2014, the following standards (new and revised), already endorsed by the European Union, were available for early adoption:

- IFRIC 21 – Levies: this interpretation establishes the criteria for recognition of a liability for a levy imposed by a government (other than income taxes). This interpretation typifies the levies and the obligation events for the recognition of a levy, clarifying when it should be recognized as a liability. This interpretation is of mandatory application for years beginning on or after 17 June 2014.

- Improvements to international financial reporting standards – 2011-2013 Cycle: this process involved the revision of 4 accounting standards. These amendments are of mandatory application for years beginning on or after 1 July 2014.

- Improvements to international financial reporting standards – 2010-2012 Cycle: this process involved the revision of 7 accounting standards. These amendments are of mandatory application for years beginning on or after 1 July 2014.

- IAS 19 – Employee Benefits: Defined benefit plans – Employee contributions: this standard was amended to clarify the requirements regarding the way in which contributions from Employees relating to services rendered must be linked to the periods of service. In addition, if the amount of the contributions is independent of the number of years in which the service is rendered, it allows the contributions to be recognized as a deduction from current service cost in the period in which the related service is rendered. These amendments are of mandatory application for years beginning on or after 1 July 2014.

These standards, although endorsed by the European Union, were not adopted by the BPI Group at 31 December 2014 because their application is not yet mandatory. Significant impact is not expected on the financial statements as a result of adopting these standards.

B) MAIN ACCOUNTING POLICIES

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

2.1. Comparability of information (IFRS 10)

On 1 January 2014, the European Union endorsed IFRS 10 – Consolidated financial statements. This standard establishes the requirements for the presentation and preparation of consolidated financial statements by the parent company, replacing, on this matter, IAS 27 – Consolidated and Separate Financial Statements and SIC 12 – Consolidation of Special Purpose Entities. This standard amends the definition of control and establishes a single consolidation model for all entities regardless of their nature, being of mandatory application for annual periods beginning on or after 1 January 2014.

In compliance with the rules defined in this standard, the BPI Group started consolidating, in accordance with the full consolidation method, its investments in BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações, Imofomento – Fundo de Investimento Imobiliário Aberto and BPI Strategies, in which it holds 48.4%, 45.4% and 59.1% of the participating units, respectively.

Also in compliance with IFRS 10, the minority interest in the investment funds consolidated in accordance with the full consolidation method (BPI Alternative Fund Lux, BPI Obrigações Mundiais, Imofomento and BPI Strategies) started being recorded as a liability, being included in the caption RESOURCES OF CUSTOMERS. The minority interest in the results of these investment funds started being included in the caption NET INCOME ON FINANCIAL OPERATIONS (BPI Alternative Fund Lux, BPI Obrigações Mundiais and BPI Strategies) and in Net Operating Income (Imofomento).

Retrospective application of the requirements of IFRS 10, in accordance with IAS 8, had the following impact:

	Consolidated shareholders' equity at 31 Dec. 12 (including net income for the year)	Net Income for 2013	Consolidated shareholders' equity at 31 Dec. 13 (including net income for the year)
Balances as reported (before the retrospective application of the change in accounting policy)	2 060 644	66 839	2 306 330
Impact of retrospective application of IFRS 10			
Consolidation of the funds BPI Obrigações Mundiais, Imofomento e BPI Strategies			
Revaluation reserves	112		(14)
Other reserves and retained earnings	(215)		(298)
Net income for the year		176	134
Reclassification to liabilities of the minority interests in the investment funds	(7 874)		(18 923)
	(7 977)	**176**	**(19 101)**
Balances (proforma)	2 052 667	67 015	2 287 229

2.2. Consolidation of subsidiaries and jointly controlled entities and recognition of associated companies (IFRS 10, IFRS 11, IAS 28 and IFRS 3)

Banco BPI has direct and indirect participations in subsidiary and associated companies.

Subsidiary companies are entities over which the Bank has control, that is when the following conditions are met, cumulatively:

- power over the company;
- exposure, or rights, to variable returns from its involvement with the company; and
- ability to use this power over the company to affect the amount of the variable returns.

In the case of investment funds managed by BPI Gestão de Activos, it is assumed that there is control whenever the BPI Group has a participation of more than 20%. In the case of investment funds managed by Inter-Risco, the BPI Group does not consolidate the funds in which, despite having a participation greater than 20%, it does not have control over the investment decisions.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. As a general rule, it is presumed that significant influence exists when the participation exceeds 20%.

The financial statements of subsidiary companies are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the caption MINORITY INTEREST, except for investment funds which are recorded in the caption RESOURCES OF CUSTOMERS. When necessary, adjustments are made to the subsidiary companies' financial statements to ensure their consistency with the BPI Group's accounting policies.

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

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

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

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

Following the loss of significant influence over an associated company (it is presumed that participation is less than 20%) and in accordance with IAS 28, the participation held is reclassified from the Investments in Associated Companies portfolio to the Financial Assets Available for Sale portfolio, being recorded at its fair value as of the date of the loss of significant influence. The difference between the fair value of the participation held and the cost of investment at that date is recognised in the statement of income.

In accordance with IFRS 1 and the BPI Group's accounting policies up to the date of transition to IAS / IFRS, goodwill on investments acquired up to 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

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

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

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

- assets and liabilities expressed in foreign currencies are translated to Euro using the exchange rates in force at the balance sheet date;
- income and expenses expressed in foreign currencies are translated to Euro using the exchange rates in force in the months in which they are recognised; and,
- exchange differences resulting from the translation to Euro are recognised directly in the shareholders' equity caption REVALUATION RESERVES, since the Bank does not have participations in subsidiaries and associated companies whose functional currency is that of a hyperinflationary economy.

2.3. Financial assets and liabilities (IAS 32, IAS 39, IFRS 7 and IFRS 13)

Financial assets and liabilities are recognised in the BPI Group's balance sheet on the trade or contracting date, unless there is an express contractual stipulation or applicable legal or regulation regime under which the transactions' inherent rights and obligations are transferred at a different date, in which case the latter date is applicable.

Financial assets and liabilities are initially recorded at fair value plus direct transaction costs, except for assets and liabilities that have been recognised at fair value through profit or loss, in which case the transaction costs are immediately recorded in the statement of income.

In accordance with IFRS 13, fair value is understood to be the price that would be received from the sale of an asset or paid for the transfer of a liability in a transaction between market participants at the measurement date. On the contracting date or at the beginning of an operation fair value is generally the transaction amount.

Fair value is determined based on:

- the price in an active market, or
- valuation methods and techniques (when there is not an active market) supported by:
  - mathematical calculations based on recognised financial theories; or,
  - prices calculated based on similar assets or liabilities traded on active markets or based on statistical estimates or other quantitative methods.

Financial assets are initially recognised, at the time of their acquisition or inception, under one of the four categories defined in IAS 39:

- financial assets held for trading and at fair value through profit or loss;
- held-to-maturity financial assets;
- available-for-sale financial assets;
- loans and other receivables.

Following the amendment to IAS 39 in October 2008 entitled "Reclassification of financial assets", it became possible to reclassify financial assets between financial asset categories, as follows: (i) in specific circumstances, non-derivative financial assets (other than those initially designated as financial assets at fair value through profit or loss under the "fair value option") can be reclassified out of the fair value through profit and loss category, and (ii) financial assets which meet the definition of loans and receivables can be reclassified from the available-for-sale financial assets category to the loans and receivables category, provided that the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. For reclassifications made up to 1 November 2008, the reference date of the changes made by the BPI Group was 1 July 2008. The reclassifications made on or after 1 November 2008 are effective only as from the reclassification date.

In note 4.48 the valuation methods of assets and liabilities recorded at fair value (Financial assets held for trading and at fair value through profit or loss, Financial liabilities held for trading and Financial assets available for sale) are presented in detail.

2.3.1. Financial assets held for trading and at fair value through profit or loss and financial liabilities held for trading

These captions include:

- fixed income securities and variable-yield securities traded on active markets, which the Bank has opted, on the recognition date, to record and value at fair value through profit or loss, can be classified as held for trading or at fair value through profit or loss;
- securities related to capitalisation insurance portfolios; and,
- derivatives (including embedded derivatives on financial assets and liabilities), except for those designated as hedging instruments under hedge accounting (note 2.3.8).

Such assets and liabilities are valued daily at fair value, taking into account the own credit risk and counterparty risk of the operations. The book value of bonds and other fixed income securities includes accrued interest.

Gains and losses resulting from changes in fair value are recognised in the statement of income.

Derivative operations are subject to credit risk analysis, their value being adjusted with a corresponding entry to loss on financial operations.

2.3.2. Held to maturity investments

This caption includes non-derivative financial assets with fixed or determinable payments and defined maturities that the BPI Group has the intention and ability to hold until maturity.

These investments are measured at amortised cost, using the effective interest rate method and subject to impairment tests. The impairment losses on financial investments held to maturity are recorded in the income statement. If, in a subsequent period, the amount of an impairment loss decreases and that decrease can be related objectively to an event occurring after the date on which the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of income for the year.

2.3.3. Financial assets available for sale

This caption includes:

- fixed income securities which have not been classified in the trading, held to maturity or loan portfolios;
- variable yield securities available for sale; and
- shareholders' loans and supplementary capital contributions in financial assets available for sale.

Assets classified as available for sale are valued at fair value, except for equity instruments that are not traded on active markets and for which their fair value cannot be reliably measured or estimated. In this case they remain recorded at cost.

Gains and losses resulting from changes in the fair value of financial assets available for sale are recognised directly in the shareholders' equity caption FAIR VALUE REVALUATION RESERVE, except for impairment losses and exchange gains and losses on monetary assets, until the asset is sold. At this time, the gain or loss previously recognised in shareholders' equity is transferred to the statement of income.

Interest accrued on bonds and other fixed income securities and differences between their cost and nominal value (premium or discount) are recorded in the statement of income using the effective interest rate method.

Income from variable-yield securities (dividends in the case of shares) is recorded as income when it is attributed or received. In accordance with this procedure, interim dividends are recorded as income in the period in which they are declared.

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

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

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

- significant financial difficulty of the issuer;
- a breach of contract by the issuer in terms of the repayment of principal or payment of interest;
- probability of bankruptcy of the issuer;
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer.

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

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

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

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

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

Financial assets available for sale, designated as hedged assets, are valued as explained in note 2.3.8. HEDGE ACCOUNTING – DERIVATIVES AND HEDGED INSTRUMENTS.

2.3.4. Loans and other receivables

Loans and other receivables include loans and advances made by the Bank to Customers and to credit institutions, including finance lease operations, factoring operations, participation in syndicated loans and securitised loans (commercial paper and bonds issued by companies) that are not traded on an active market and which are not intended to be sold.

Loans and securitised loans traded on active markets are included in the caption FINANCIAL ASSETS AVAILABLE FOR SALE.

At the inception date, loans and other receivables are recognised at fair value. In general, fair value at the inception date corresponds to the amount of the transaction and includes commission, taxes and other costs and income relating to credit operations.

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

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

The Bank classifies as overdue credit, instalments of principal and interest overdue for more than 30 days. Credits under legal collection procedures include the full amount of the principal (both overdue and not yet due).

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

Gains and losses on the sale of loans to Customers on a definitive basis are recognized in net income on financial operations in the caption GAIN AND LOSS ON THE SALE OF LOANS AND ADVANCES TO CUSTOMERS. These gains or losses correspond to the difference between the sale price and the book value of those assets, net of impairment losses.

Loans designated as hedged assets are valued as explained in note 2.3.8. HEDGE ACCOUNTING – DERIVATIVES AND HEDGED INSTRUMENTS.

Finance leasing (IAS 17)

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

Factoring

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

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

Invoices received under factoring contracts with recourse, in which amounts are not advanced, are recorded in the off-balance sheet caption CONTRACTS WITH RECOURSE – INVOICES NOT FINANCED, by the amount of the invoices received. The balance of this caption is reduced as the invoices are settled.

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

Securitised credit not derecognised

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

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

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

Amounts received relating to securitisation operations are recorded under the caption FINANCIAL LIABILITIES RELATING TO TRANSFERRED ASSETS. The respective interest, commission and fees are accrued based on the remuneration ceded by the Bank, in accordance with the expected average life of the securitisation operation at the launching date.

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

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

Securities under repurchase and resale agreements

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

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

Guarantees given and irrevocable commitments

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

Impairment

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

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

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

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

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

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

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

Impairment losses relating to the Corporate Banking, Project Finance, Institutional Banking and the State Business Sector segments are determined on an individual basis whenever the credits show signs of impairment or are in default. Impairment losses relating to exposures of over 250 th. euro included in the Private individuals and small business segment are also determined on an individual basis.

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

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

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

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

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

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

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

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

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

Collective assessment involves estimating the following risk factors:

- the possibility of a performing operation or Customer coming to show signs of impairment through delays arising during the emergence period (period between the occurrence of a loss event and identification of that event by the Bank).

  In accordance with IAS 39 these situations correspond to losses incurred but not reported, that is cases in which, for part of the credit portfolio, the loss event has already occurred, but the Bank has not yet identified it;
- the possibility of an operation or Customer that has already had delays, going into default (situations of legal collection) during the remaining period of the operation;
- financial loss on operations in default.

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

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

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

2.3.5. Deposits and other resources

After initial recognition, deposits and other financial resources of Customers and credit institutions are valued at amortised cost, using the effective interest rate.

This category includes life capitalisation insurance without a discretionary participation feature.

Deposits designated as hedged liabilities are valued as explained in note 2.3.8 HEDGE ACCOUNTING – DERIVATIVES AND HEDGED INSTRUMENTS.

2.3.6. Debt securities issued by the Bank

Debt securities issued by the Bank are recorded under the captions DEBT SECURITIES and OTHER SUBORDINATED DEBT.

At the date of issue, debt securities are recorded at fair value (issue value), including transaction expenses, commission and fees, and subsequently valued at amortised cost using the effective interest rate method.

Derivatives embedded in bonds are recorded separately and revalued at fair value through the statement of income.

Bonds designated as hedged liabilities are valued as explained in note 2.3.8. HEDGE ACCOUNTING – DERIVATIVES AND HEDGED INSTRUMENTS.

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

Secondary market transactions

The Bank repurchases bonds issued in the secondary market. Purchases and sales of own debt securities are included proportionately in the respective captions of debt issued (PRINCIPAL, INTEREST, COMMISSION, FEES and DERIVATIVES), and the differences between the amount liquidated and the decrease or increase in the amount of the liability are immediately recognised in the statement of income.

2.3.7. Contingent convertible subordinated bonds

Under the Recapitalisation Plan for reinforcing Core Tier 1 own funds, so as to comply with the minimum ratios defined by the European Banking Authority and the Bank of Portugal, in June 2012 Banco BPI issued financial instruments eligible as Core Tier 1 own funds (contingent convertible subordinated bonds), which were subscribed for by the Portuguese State (notes 4.24, 4.28 and 4.50).

Considering its features, defined in Law 63-A / 2008 of 24 November re-published by Law 4 / 2012 of 11 January (Bank Recapitalisation Law), Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012, of the Portuguese Minister of State and Finance of 28 June 2012 and the requirements of the International Financial Reporting Standards, namely IAS 32, these financial instruments were recorded by the BPI Group as financial liabilities, since:

- it has been established that the par value of these instruments bears interest, which must be paid by the Issuer in cash or in shares of the Issuer, otherwise the instruments will be converted into shares of the Issuer in accordance with Section 8 of the above mentioned Terms and Conditions;

- the instruments should be repurchased by Banco BPI from the Portuguese State up to the end of 29 June 2017, otherwise they will be converted into shares of the Issuer;

- the conversion referred to in the preceding paragraphs will be made through the delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) as defined in the Conversion Price contained in Section 1.1. of the above mentioned Terms and Conditions, the price depends on the listed / market value of the shares in the period prior to the occurrence of such event and (ii) the determination of the number of shares is based on the Conversion Price.

Contingent convertible subordinated bonds are valued at amortised cost, using the effective interest rate method.

At 31 December 2014 the BPI Group did not hold contingent convertible subordinated bonds as it repaid the full amount to the Portuguese State.

2.3.8. Hedge accounting – derivatives and hedged instruments

The BPI Group designates as hedging instruments, derivatives contracted to hedge interest rate and foreign exchange rate risk (fair value hedge operations) on financial assets and liabilities identified individually (bond portfolio, issuance of own debt securities and loans), and on groups of operations (term deposits and fixed rate loans).

The BPI Group has formal documentation of the hedge relationship identifying, at the inception of the transaction, the instrument (or part of the instrument, or part of the risk) that is being hedged, the strategy and type of risk being hedged, the hedging derivative and the methods used to demonstrate the effectiveness of the hedge.

Monthly, the Bank tests the effectiveness of the hedge by comparing changes in the fair value of the hedged instrument, attributable to the hedged risk, with changes in the fair value of the hedging derivative, the relationship between them being within the range of 80% to 125%.

Hedging derivative instruments are recorded at fair value and the gains and losses resulting from their revaluation are recognised in the statement of income. Gains and losses resulting from changes in the fair value of hedged financial assets or liabilities, attributable to the hedged risk, are also recognised in the statement of income, by corresponding entry to the book value of the hedged asset or liability in the case of operations at amortised cost (loans, deposits and debt issued) or to the fair value revaluation reserve in case of financial assets available for sale (bonds portfolio).

A hedged asset or liability may have only one part or one component of its fair value hedged (interest rate risk, foreign exchange rate risk or credit risk), provided that the effectiveness of the hedge can be measured separately.

When using hedge accounting, the Bank does not value the commercial spreads of the hedged assets or liabilities.

If the hedging relationship ceases to exist as a result of the relationship between the fair value changes of the derivatives and the hedged instruments being outside the 80% to 125% range, the derivatives are reclassified to trading instruments and the amount of the revaluation of the hedged instrument is recognised in the statement of income for the remaining period of the operation.

Hedging effectiveness tests are duly documented on a monthly basis, thus ensuring the existence of evidence during the period of the operation.

2.3.9. Foreign currency financial assets and liabilities

Foreign currency financial assets and liabilities are recorded in conformity with the multi-currency system that is in their original currencies.

Foreign currency assets and liabilities are translated to Euro at the official market rates published by the Bank of Portugal.

Foreign currency income and expenses are translated to Euro at the exchange rates in force on the dates they are recognised.

2.4. Tangible assets (IAS 16)

Tangible assets used by the Bank in its operations are stated at cost (including directly attributable costs) less accumulated depreciation and impairment losses.

Depreciation of tangible assets is recorded on a straight-line basis over their estimated useful lives, which corresponds to the period the assets are expected to be available for use:

	Useful life (years)
Property	20 to 50
Improvements in owned property	10 to 50
Non-recoverable expenditure capitalised on leasehold buildings	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

Non-recoverable expenditure on improvements in leasehold buildings is depreciated in accordance with its estimated useful life or the remaining period of the lease contract.

As established in IFRS 1, tangible assets acquired by the BPI Group up to 1 January 2004 have been recorded at their book value at the date of transition to IAS / IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.5. Investment properties

Properties held by the investment funds consolidated by the Group in accordance with the full consolidation method are recorded as investment properties since they are held for the purpose of long term capital appreciation and not for short-term sale, nor for use in carrying out banking activity.

These properties are initially recognized at cost, including transaction costs, being subsequently revaluated at fair value. The appraisals are carried out by independent appraisers registered at "Comissão dos Mercados de Valores Mobiliários" (Stock Exchange Commission). The fair value of investment properties should reflect market conditions at the balance sheet date, the corresponding changes being recorded in the statement of income caption OPERATING INCOME AND EXPENSES.

Investment properties are not depreciated.

2.6. Assets received in settlement of defaulting loans and non-current assets held for sale (IFRS 5)

Assets (property, equipment and other assets) received in settlement of defaulting loans are recorded in the caption OTHER ASSETS as they are not always in condition to be sold immediately and may be held for periods in excess of one year. Such assets are recorded at the legal or tax acquisition amount or the amount stated in the settlement agreement. Assets recovered following the resolution of lease contracts are recorded at the outstanding amount due not invoiced. Such property is subject to periodic appraisals, with impairment losses being recorded whenever the appraised value net of costs to sell is lower than its book value.

The caption OTHER ASSETS also includes the Bank's tangible assets retired from use (unused property and equipment) which are in the process of sale. Such assets are transferred from tangible assets at their book value in accordance with IAS 16 (cost less accumulated depreciation and impairment losses) when they become available for sale, and are subject to periodic appraisals with impairment losses being recorded whenever the appraised value (net of selling costs) is lower than their book value.

The appraisals are carried out by independent appraisers registered at "Comissão dos Mercados de Valores Mobiliários" (Portuguese Securities Market Code). Unrealized gains on these assets are not recognized in the balance sheet.

Tangible assets available for sale are not depreciated.

Non-current assets are classified as held for sale whenever it is expected that their book value will be recovered through sale rather than through their continued use. In order to be classified as such, an asset must meet the following conditions:

- its sale must be highly probable;
- the asset must be available for immediate sale in its present condition;
- the sale must be expected to be realized within one year from the date of classification in this caption.

Assets classified in this caption are not amortized, being valued at the lower of cost and fair value, less costs to be incurred with the sale.

If book value is greater than fair value less costs to sell, an impairment loss is recognized in the caption IMPAIRMENT LOSSES AND OTHER PROVISIONS, NET.

The caption NON-CURRENT ASSETS HELD FOR SALE at 31 December 2014 includes the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A., as the above requirements for that classification are met.

This investment was valued based on its expected sales value.

2.7. Intangible assets (IAS 38)

The Bank recognises, in this caption, expenses relating to the development stage of projects implemented and to be implemented, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of three years.

To date the Bank has not recognised any intangible assets generated internally.

2.8. Retirement and survivor pensions (IAS 19)

The BPI Group companies that have adhered to the Collective Vertical Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho Vertical para o Sector Bancário Português) have assumed the commitment to pay their Employees or their families, pensions for retirement due to age or incapacity, pensions for early retirement or survivor pensions (defined benefit plan). The pensions consist of a percentage, which increases with the number of years of service of the Employees, applied to their salaries. Up to 31 December 2010 the majority of Employees of the BPI Group was not covered by the Portuguese Social Security system.

With the publication of Decree-Law 1-A / 2011 of 3 January all the bank Employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime as from 1 January 2011, becoming covered by this regime as regards old age pensions and possible maternity, paternity and adoption, the cost of which the Bank no longer covers. Given the complementary nature of the rules of the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Social Security Regime for the items covered and the benefits established in the Collective Labour Agreement.

Incapacity and survivor pensions and sickness subsidy of these Employees will continue to be the Bank's responsibility.

Following the Three Party Agreement between the Government, the Credit Institutions and the Labour Unions for the Banking Sector, Decree-Law 127 / 2011 of 31 December was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at 31 December 2011 were in that situation and were covered by the substitute social security regime included in the collective labour regulations in force for the banking sector (Pillar 1), as well as transfer to the Portuguese State of the part of the pension fund assets covering these liabilities.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates of the pensions mentioned above, according to the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the complementary benefits to the retirement and survivor pensions assumed by the Collective Labour Agreement; (iii) the contribution on retirement and survivor pensions for Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State must be equal to the amount of the liabilities assumed by the Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables in accordance with the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the Bank's pension fund assets was made entirely in cash.

The Bank transferred ownership of the assets under the following conditions: (i) up to 31 December 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by 30 June 2012, the remaining amount to complete the current definitive amount of the liabilities, as a result of the final determination of the liabilities transferred, made by an expert independent entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, with extinction of the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liabilities transferred based on the actuarial assumptions used by Banco BPI was recorded in the statement of income caption OPERATING GAINS AND LOSSES, as provided for in paragraph 110 of IAS 19.

In accordance with the Decree-Law 127 / 2011 of 31 December the cost incurred as a result of the transfer of the liability for retirement and survivor pensions of retired personnel and pensioners to the Social Security is tax deductible, in equal amounts, in the tax years beginning on or after 1 January 2012 based on the estimated average number of years of life expectancy of the pensioners whose liabilities were transferred, which is estimated at 18 years, and so the corresponding deferred tax asset relating to the amount settled was recognised in the statement of income.

The BPI Group determines the amount of its past service liability by actuarial calculation using the "Projected Unit Credit" method in the case of retirement due to age, and the "Single Successive Premiums" method in the case of retirement due to incapacity and survivor benefits. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary and pension increases, using mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for low risk bonds with similar terms to those of the related pension liability. The current economic situation and sovereign debt crisis in Southern of Europe have caused volatility and disruption in the debt market in the Eurozone, with an abrupt decrease in market yields on corporate bonds with better ratings and also a reduction in the available portfolio of these bonds. In order to maintain the representativeness of the discount rate in these circumstances, at 31 December 2014 and 2013 Banco BPI incorporated in its determination, information on interest rates that can be obtained on bonds of the Eurozone universe and that it considers to be of high quality in terms of credit risk. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of 30 June and 31 December of each year. On 31 December 2013 the BPI Group changed the discount rate and the mortality table as regards the average life expectancy of Employees, retired Employees and pensioners of the BPI Group. On 31 December 2014 the BPI Group again changed the discount rate and the salary and pension increase rates.The updating of these assumptions is reflected in actuarial deviations for the period and prospectively in pension costs. The amount of the liability includes, in addition to the retirement pension benefits, post-employment healthcare benefits (SAMS) and death subsidy during retirement.

In accordance with the requirements of IAS 19, the BPI Group recognizes the effect of re-measuring the net liability (asset) of defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which it occurs, including actuarial gains and losses and deviations relating to the return on pension fund assets.

The increase in the past service liability resulting from early retirements is fully recognised as cost in the statement of income for the year.

Increases in the past service liability resulting from changes in the conditions of the Pension Plans are recognised in full in the statements of income.

The past service liability (post-employment benefits) is covered by Pension Funds. The value of the Pension Funds corresponds to the fair value of their assets at the balance sheet date.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice 4 / 2005, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

The past service liability for retirement pensions net of the amount of the pension fund is recorded in the BPI Group's financial statements under the caption OTHER LIABILITIES (insufficient coverage) or OTHER ASSETS (excess coverage).

The following costs relating to retirement and survivor pensions are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- net interest cost;
- cost relating to the increase in the past service liability due to early retirements;
- gains and losses resulting from changes in the conditions of the Pension Plan.

The above components are recognized in personnel costs, except the cost of the interest of all liabilities and expected return on pension funds that are recorded in net income on financial operations – interest and financial gain and loss with pensions.

At the transition date to IAS / IFRS, the BPI Group adopted the option, allowed under IFRS 1, of not recalculating actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group's financial statements as of 31 December 2003 were reversed by corresponding entry to retained earnings at the transition date (1 January 2004).

2.9. Long service premiums (IAS 19)

Under the Collective Labour Agreement (Acordo Colectivo de Trabalho) for the banking sector there is a commitment to pay Employees a long service premium in the month in which they reach 15, 25 and 30 years of good and effective service in the banking sector, corresponding, respectively, to one, two and three months of their effective monthly remuneration (in the year the premium is attributed).

In December 2012, Banco BPI made an advanced payment of the proportional part of the long service premium for the anniversary in progress, relating to the 15, 25 and 30 years of banking service, corresponding to the period of good and effective service in the banking sector at 31 December 2012.

In subsequent years, the BPI Group continued to follow the requirements of the Collective Labour Agreement for the banking sector as regards the long service premium, so that it pays the long service premium in the years in which the Employees complete 15, 25 and 30 years of good and effective service in the banking sector, less the amounts already paid at 31 December 2012.

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption OTHER LIABILITIES.

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost;
- gain and loss resulting from changes in the conditions of the benefits.

2.10. Treasury shares (IAS 32)

Treasury shares are recorded at cost in equity captions and are not subject to revaluation. Realised gains and losses, as well as the resulting taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

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

The share-based payment program (Remuneração Variável em Acções – RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and Employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro), it is partly made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to Employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which terminates on a gradual basis over the three years following the grant date (25% each year). The share purchase options may be exercised between the 90th day and the fifth year as from the grant date. Termination of the employment relationship between the Employee and BPI Group also affects the options granted, in accordance with RVA Regulations.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those previously referred to for Employees. As from RVA 2010, the shares and share options granted to Executive Directors under the RVA program are subject to the following suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, taking into account the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition relating to non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options begins after that period.

As set forth in the Recapitalisation Plan (note 4.50), during the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

The remuneration limitations resulting from the recapitalisation operation referred to in the preceding paragraph, terminated on 25 June 2014, when the public investment resulting from the recapitalization operation was fully repaid.

In this respect, considering that the recommendation of both the Nominating, Admission and Remuneration Committee and the Remuneration Policy for the 2014 / 2016 period, approved by the Shareholders' General Meeting, established the recommendation that:

1) the performance evaluation of the members of the Executive Commission of the Board of Directors and determination of the variable remuneration to which they would be entitled under the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take place after full repayment of the public investment;

2) also dependent upon a decision to be made by the Remuneration Committee, then in office, after full repayment of the public investment, the members of the Board of Directors, members of Executive Commission of the Board of Directors and members of the Supervisory Board should be paid the amounts corresponding to the reduction of their fixed remuneration resulting from the limitations due to the recapitalization operation;

   the Remuneration Committee made the following decisions on 3 September 2014:

   a) Considering their performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), it approved payment to the members of the Board of Directors and members of the Supervisory Board in office during that period, of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations due to the recapitalization operation; and

   b) Taking into account the opinion of the Nomination, Remuneration and Admission Committee, approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 of the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net results for 2012.

Costs relating to the share-based payment program (RVA program) are accrued under the caption PERSONNEL COSTS with a corresponding entry to OTHER EQUITY INSTRUMENTS, as established by IFRS 2 for share-based payments. The cost of the shares and option premiums, as of the date they are granted, is accrued on a straight-line basis from the beginning of the year of the program (1 January) to the moment they become available to the Employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to Employees on the grant date (in the case of Executive Directors, after verifying the suspensive terms and conditions). However, for accounting purposes, the shares remain in the Bank's treasury share portfolio until the date they are made available. The shares are then derecognised by corresponding entry to the amounts accumulated under the caption OTHER EQUITY INSTRUMENTS.

For purposes of the share-based payment in options, the BPI Group has created a portfolio of BPI shares in order to hedge the liability resulting from issuing call options over the BPI shares, following a delta hedging strategy (determined using a model to evaluate the BPI share options, developed in-house based on Black-Scholes methodology).

This strategy corresponds to the creation of a portfolio with delta shares for each option granted, delta corresponding to the relationship between evolution of the price of an option and evolution of the price of the underlying shares. The treasury shares held to hedge the risk of variation in the value of the options sold are recorded under the caption TREASURY SHARES HEDGING THE SHARE-BASED PAYMENT PROGRAM, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transfer of their ownership to the Employees. At that time the Bank recognises a gain or loss resulting from the difference between the exercise price and the average cost of the treasury share portfolio hedging each program, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

Realised gains and losses on treasury shares in the coverage and exercise of the options of the share-based payment program, as well as the related taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.12. Technical provisions (IFRS 4)

The BPI Group sells capitalisation life insurance products through its subsidiary BPI Vida. Capitalisation insurance products without discretionary participation features are recorded in accordance with IAS 39 and included in the caption RESOURCES OF CUSTOMERS AND OTHER DEBTS. Capitalisation insurance products with discretionary participation features are recorded in accordance with IFRS 4, in the caption TECHNICAL PROVISIONS.

The technical provisions recorded for life insurance contracts represent, collectively, the liability to the insured Customers and include:

- Mathematical provisions determined using prospective actuarial methods in accordance with the technical bases of each product.

  They also include a provision for rate commitments, which is recorded when the effective profitability rate of the assets which represent the mathematical provisions of a certain product is lower than the technical interest rate used to calculate the mathematical provisions.

- Provision for participation in profits to be attributed to the contracts in force at the end of each year. The amount is calculated in accordance with the technical bases of each contract, duly approved by the Portuguese Insurance Institute (Instituto de Seguros de Portugal), using the profitability rates for investments covering the respective mathematical provisions.
- Provision for claims to cover indemnities payable relating to claims incurred but not yet settled. Since the BPI Group does not commercialise risk insurance, no provision has been recorded for claims incurred but not yet reported (IBNR).

2.13. Provisions for other risks and charges (IAS 37)

This caption includes provisions to cover other specific risks, namely tax contingencies, legal processes and other losses arising from the operations of the BPI Group.

2.14. Income taxes (IAS 12)

All the Group companies are taxed individually.

Banco BPI and its subsidiary and associated companies with head offices in Portugal are subject to the tax regimes established in the Corporation Income Tax Code (Portuguese initials – CIRC) and in the Statute of Tax Benefits.

The Madeira and Santa Maria Off-shore Financial Branches of Banco BPI were exempt from corporate income tax up to 31 December 2011, in accordance with article 33 of the Statute of Tax Benefits. Under the provisions of article 34 of the Statute, for the purpose of applying this exemption, at least 85% of the taxable income of Banco BPI's global operations was considered to result from activities outside the institutional scope of the Madeira and Santa Maria Free Trade Zones. This regime came into force on 1 January, 2003. As from 1 January, 2012 Banco BPI's total net income became subject to the general Corporation Income Tax regime.

Current taxes are calculated based on the legal tax rates in force in the countries in which the Bank operates during the reporting period.

Deferred tax assets and liabilities correspond to the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities and their respective tax bases. Tax losses carried forward and tax credits also give rise to the recognition of deferred tax assets.

Deferred tax assets are recognised only to the extent of the probable existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities have been calculated using the tax rates decreed for the period in which the respective assets or liabilities are expected to be realised.

Current and deferred taxes are recognised in the statement of income, except for those relating to amounts recorded directly in shareholders' equity (namely gains and losses on treasury shares and securities available for sale and actuarial deviations in retirement and survivor pension liabilities).

The BPI Group does not record deferred tax assets and liabilities on temporary deductible or taxable differences relating to investments in subsidiary and associated companies, as these differences are not expected to revert in the foreseeable future, except for the following:

- deferred tax liabilities relating to the estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the next year out of net income for the year, are recognised;

- deferred tax liabilities relating to all distributable net income of Banco Comercial e de Investimentos are recognised.

Net income distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporation Income Tax Code, which provides for the elimination of double taxation of net income distributed.

2.15. Preference shares (IAS 32 and IAS 39)

Preference shares are classified as equity instruments when:

- there is no contractual obligation for the BPI Group to redeem the preference shares acquired by a holder (in cash or in another financial asset);

- remission or early redemption of the preference shares can only be made at the option of the BPI Group;

- dividends distributed by the BPI Group to the preference shareholders are discretionary.

The BPI Group classified the preference shares issued by BPI Capital Finance Ltd. as equity instruments. The payment of dividends and redemption of the shares are guaranteed by Banco BPI.

The preference shares classified as equity instruments, held by third parties, are presented in the consolidated financial statements in the caption MINORITY INTERESTS.

Realized gain and loss on the repurchase and sale of preference shares classified as equity instruments, as well as the corresponding tax effect, are recorded directly in shareholders' equity, not affecting net result for the year.

2.16. Insurance and reinsurance brokerage services

Banco BPI is duly authorized by the Portuguese Insurance Institute (Instituto de Seguros de Portugal) to provide insurance brokerage services in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144 / 2006 of 31 July and operates in the life and non-life insurance brokerage areas.

In the insurance brokerage services area, Banco BPI sells insurance contracts. As remuneration for insurance brokerage services rendered, Banco BPI receives commission for brokering insurance contracts, which is defined in agreements / protocols established between Banco BPI and the Insurance Companies.

Commission received for insurance brokerage services refers to:

- commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through Banco BPI and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly;

- commission for participation in the results of insurance, which is calculated annually and paid by the Insurance Company in the beginning of the year following that to which it refers (up to 31 January).

Commission received for insurance brokerage services is recognised on an accruals basis. Fees received in a different period from that to which they relate are recorded as receivables in the caption OTHER ASSETS by corresponding entry to COMMISSIONS RECEIVED – FOR INSURANCE BROKERAGE SERVICES.

Banco BPI does not collect insurance premiums on behalf of Insurance Companies, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by Banco BPI, from those already referred to.

2.17. Main estimates and uncertainties regarding the application of the accounting standards

The BPI Group's financial statements have been prepared using estimates and expected future amounts in the following areas:

Retirement and survivor pensions

Retirement and survivor pension liabilities have been estimated based on actuarial tables and assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on the BPI Group's expectations for the period during which the liabilities will be settled.

Loan impairment

Loan impairment has been determined based on expected future cash flows and estimated recoverable amounts. The estimates are made using assumptions based on the available historical information and assessment of the situation of the Customers. Possible differences between the assumptions used and the actual future behaviour of the loans and changes in the assumptions used by the BPI Group have an impact on the estimates.

Fair value of derivatives and unlisted financial assets

The fair value of derivatives and unlisted financial assets was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.

The financial market environment, particularly in terms of liquidity, can influence the realisable value of these financial instruments in some specific situations, including their sale prior to maturity.

Income taxes

Current and deferred taxes have been recognised based on the tax legislation currently in force for the BPI Group companies or on legislation already published for future application. Different interpretations of tax legislation can influence the amount of income taxes. Additionally, deferred tax assets are recognised based on the assumption of the existence of future taxable income.

3. SEGMENT REPORTING

The BPI Group's segment reporting is made up as follows:

- **Domestic operations:** corresponds to commercial banking business in Portugal, the provision overseas of banking services to non-residents – namely to emigrant Portuguese communities and services provided in the Madrid branch – and investment banking, private equity, asset management and insurance operations. Thus, domestic operations are divided into:

  - Commercial banking
  - Investment banking
  - Equity investments and others

- **International operations:** consist of the operations in Angola carried out by Banco de Fomento Angola, S.A, in Mozambique by Banco Comercial de Investimentos, S.A.R.L. and BPI Moçambique – Sociedade de Investimento, S.A. and in South Africa by BPI Capital Africa (Proprietary) Limited.

Commercial banking

The BPI Group's operations are focused mainly on commercial banking. Commercial banking includes:

- **Retail Banking** – includes commercial operations with private clients, sole traders and businesses with turnover of up to 5 million euro through a multi-channel distribution network made up of traditional branches, investment centres, home banking services and telephone banking.

- **Corporate Banking, Project Finance and Institutional Banking** – includes commercial operations with companies with a turnover of more than 2 million euro and also with Retail Banking for the segment of up to 5 million euro. This also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and home banking services adapted to the business needs.

Investment banking

Investment banking covers the following business areas:

- **Brokerage** – includes brokerage (purchase and sale of securities) on account of Customers.

- **Private Banking** – Private Banking is responsible for implementing strategies and investment proposals presented to Customers and managing all or part of their financial assets under management mandates given to the Bank. In addition, Private Banking provides asset management, tax information and business consulting services.

- **Corporate Finance** – this includes rendering consultancy services relating to the analysis of investment projects and decisions, market privatisation operations and the structuring of merger and acquisition processes.

Equity investments and others

This segment includes essentially Financial Investments and Private Equity activities. The BPI Group Private Equity area invests essentially in unlisted companies with the following objectives: the development of new products and technologies, financing of investments in working capital, acquisitions and the strengthening of financial autonomy.

This segment also includes the Bank's residual activity, such segments representing individually less than 10% of total income, net profit and the Group's assets.

Inter-segment operations are presented based on the effective conditions of the operations and application of the accounting policies used to prepare the BPI Group's consolidated financial statements.

The reports used by Management consist essentially of accounting information based on IFRS.

The BPI Group's balance sheet as of 31 December 2014 and investments in tangible and intangible assets during the period, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	Total	Angola	Others	Total		
ASSETS										
Cash and deposits at central banks	439 861				439 861	1 454 341	1	1 454 342		1 894 203
Loans and advances to other credit institutions repayable on demand	533 973	54 737	14 311	(238 491)	364 530	57 546	7	57 553	(41 608)	380 475
Financial assets held for trading and at fair value through profit or loss	2 602 807	301 199		(100 422)	2 803 584	214 125	24	214 149		3 017 733
Financial assets available for sale	4 822 228	1 921	36 763	1 151	4 862 063	2 663 715		2 663 715		7 525 778
Loans and advances to credit institutions	2 035 763	122 563	2 895	(952 337)	1 208 884	2 001 287	1 270	2 002 557	(622 624)	2 588 817
Loans and advances to Customers	23 301 317	139 505		(4 821)	23 436 001	1 832 968		1 832 968		25 268 969
Held to maturity investments	120 842	9 041		(41 501)	88 382					88 382
Hedging derivatives	155 708	93		(7 108)	148 693					148 693
Non-current assets held for sale	11 604				11 604					11 604
Investment property	154 777				154 777					154 777
Other tangible assets	61 457	964			62 421	141 440	378	141 818		204 239
Intangible assets	21 722	350			22 072	2 808	3	2 811		24 883
Investment in associated companies and jointly controlled entities	93 572		64 632		158 204		54 776	54 776		212 980
Tax assets	413 666	753	(609)		413 810	7 863	858	8 721		422 531
Other assets	739 473	16 710	179	(84 984)	671 378	18 019	298	18 317	(4 909)	684 786
Total assets	**35 508 770**	**647 836**	**118 171**	**(1 428 513)**	**34 846 264**	**8 394 112**	**57 615**	**8 451 727**	**(669 141)**	**42 628 850**
LIABILITIES										
Resources of central banks	1 561 185				1 561 185					1 561 185
Financial liabilities held for trading	331 504	17 294		(24 283)	324 515	2 270		2 270		326 785
Resources of other credit institutions	2 211 916	22 898	21 657	(249 222)	2 007 249	29 344	80	29 424	(664 232)	1 372 441
Resources of Customers and other debts	21 530 023	150 275		(994 618)	20 685 680	7 448 937		7 448 937		28 134 617
Debt securities	2 343 569			(105 495)	2 238 074					2 238 074
Financial liabilities relating to transferred assets	1 047 731				1 047 731					1 047 731
Hedging derivatives	332 991			(5 772)	327 219					327 219
Provisions	74 029		2 000		76 029	31 304		31 304		107 333
Technical provisions	3 862 814	289 016			4 151 830					4 151 830
Tax liabilities	24 926	1 390	(830)		25 486	13 057	4 087	17 144		42 630
Other subordinated debt and participating bonds	79 355	4 182		(14 016)	69 521					69 521
Other liabilities	681 212	14 283	1 942	(35 107)	662 330	40 965	5 450	46 415	(4 909)	703 836
Total liabilities	**34 081 255**	**499 338**	**24 769**	**(1 428 513)**	**33 176 849**	**7 565 877**	**9 617**	**7 575 494**	**(669 141)**	**40 083 202**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 425 710	148 498	93 402		1 667 610	411 771	47 998	459 769		2 127 379
Minority interest	1 805				1 805	416 464		416 464		418 269
Total shareholders' equity	**1 427 515**	**148 498**	**93 402**		**1 669 415**	**828 235**	**47 998**	**876 233**		**2 545 648**
Total liabilities and shareholders' equity	**35 508 770**	**647 836**	**118 171**	**(1 428 513)**	**34 846 264**	**8 394 112**	**57 615**	**8 451 727**	**(669 141)**	**42 628 850**
Investments made in:										
Property						1 882		1 882		1 882
Equipment and other tangible assets	7 769	343			8 112	15 915	1	15 916		24 028
Intangible assets	8 840	310			9 150	2 035	4	2 039		11 189

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

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	**Total**	Angola	Others	**Total**		
Financial margin (narrow sense)	**247 359**	**3 998**	**(2 657)**		**248 700**	**236 918**	**(290)**	**236 628**		**485 328**
Gross margin on unit links	2 342	2 687			5 029					5 029
Income from equity instruments	1 318	108	2 186		3 612					3 612
Net commission relating to amortised cost	20 402				20 402	82		82		20 484
Financial margin	**271 421**	**6 793**	**(471)**		**277 743**	**237 000**	**(290)**	**236 710**		**514 453**
Technical result of insurance contracts	34 082	311			34 393					34 393
Commission received	252 570	50 484		(32 748)	270 306	53 085	747	53 832	(1 550)	322 588
Commission paid	(56 123)	(17 623)	(14)	32 748	(41 012)	(8 174)	(1)	(8 175)	1 550	(47 637)
Other income, net	16 896	60			16 956	20 266		20 266		37 222
Net commission income	**213 343**	**32 921**	**(14)**		**246 250**	**65 177**	**746**	**65 923**		**312 173**
Gain and loss on operations at fair value	27 797	12 516			40 313	117 590		117 590		157 903
Gain and loss on assets available for sale	(135 223)	218			(135 005)					(135 005)
Interest and financial gain and loss with pensions	2 016	(24)	(1)		1 991					1 991
Net income on financial operations	**(105 410)**	**12 710**	**(1)**		**(92 701)**	**117 590**		**117 590**		**24 889**
Operating income	31 783	8			31 791	1 317	128	1 445		33 236
Operating expenses	(42 693)	(540)			(43 233)	(1 189)	(6)	(1 195)		(44 428)
Other taxes	(4 782)	(697)	(1)		(5 480)	(11 402)	(128)	(11 530)		(17 010)
Net operating expenses	**(15 692)**	**(1 229)**	**(1)**		**(16 922)**	**(11 274)**	**(6)**	**(11 280)**		**(28 202)**
Operating income from banking activity	**397 744**	**51 506**	**(487)**		**448 763**	**408 493**	**450**	**408 943**		**857 706**
Personnel costs	(312 896)	(21 454)	(172)		(334 522)	(66 104)	(1 912)	(68 016)		(402 538)
General administrative costs	(167 422)	(11 034)	(29)		(178 485)	(59 139)	(595)	(59 734)		(238 219)
Depreciation and amortisation	(15 655)	(1 027)			(16 682)	(13 980)	(108)	(14 088)		(30 770)
Overhead costs	**(495 973)**	**(33 515)**	**(201)**		**(529 689)**	**(139 223)**	**(2 615)**	**(141 838)**		**(671 527)**
Recovery of loans, interest and expenses	13 968	1			13 969	2 503		2 503		16 472
Impairment losses and provisions for loans and guarantees, net	(172 552)	100			(172 452)	(20 739)		(20 739)		(193 191)
Impairment losses and other provisions, net	(15 840)	40	(22 068)		(37 868)	(7 398)		(7 398)		(45 266)
Net income before income tax	**(272 653)**	**18 132**	**(22 756)**		**(277 277)**	**243 636**	**(2 165)**	**241 471**		**(35 806)**
Income tax	(24 409)	(6 041)	4 119		(26 331)	(4 099)	(233)	(4 332)		(30 663)
Earnings of associated companies (equity method)	7 013		7 541		14 554		11 571	11 571		26 125
Global consolidated net income	**(290 049)**	**12 091**	**(11 096)**		**(289 054)**	**239 537**	**9 173**	**248 710**		**(40 344)**
Income attributable to minority interest	(679)				(679)	(122 600)		(122 600)		(123 279)
Consolidated net income of the BPI Group	**(290 728)**	**12 091**	**(11 096)**		**(289 733)**	**116 937**	**9 173**	**126 110**		**(163 623)**
Cash flow after taxes	(86 681)	12 978	10 972		(62 731)	159 054	9 281	168 335		105 604

The BPI Group's balance sheet as of 31 December 2013 Proforma and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment 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	513 606	71 186	4 204	(128 582)	460 414	18 289	33	18 322	(9 249)	469 487
Financial assets held for trading and at fair value through profit or loss	1 087 715	153 398		(63 910)	1 177 203	140 297	58	140 355		1 317 558
Financial assets available for sale	7 267 098	17 511	52 426	1 291	7 338 326	2 285 917		2 285 917		9 624 243
Loans and advances to credit institutions	1 773 643	1 111 651	2 894	(1 604 020)	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
Investment property	164 949				164 949					164 949
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	768 261	32 039	135	(98 554)	701 881	12 686	225	12 911	(3 121)	711 671
Total assets	**37 682 585**	**1 600 495**	**139 994**	**(1 957 249)**	**37 465 825**	**6 409 128**	**46 486**	**6 455 614**	**(1 101 027)**	**42 820 412**
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	19 255 218	1 230 691		(553 897)	19 932 012	5 698 461		5 698 461		25 630 473
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	102 133	186			102 319	21 718		21 718		124 037
Technical provisions	2 513 660	176 108			2 689 768					2 689 768
Tax liabilities	39 529	1 520	(1 775)		39 274	15 153	3 284	18 437		57 711
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	541 451	38 496	2 145	(23 504)	558 588	32 194	3 398	35 592	(3 121)	591 059
Total liabilities	**36 299 894**	**1 472 625**	**27 786**	**(1 957 249)**	**35 843 056**	**5 783 751**	**7 403**	**5 791 154**	**(1 101 027)**	**40 533 183**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 331 458	127 870	112 208		1 571 536	311 091	39 083	350 174		1 921 710
Minority interest	51 233				51 233	314 286		314 286		365 519
Total shareholders' equity	**1 382 691**	**127 870**	**112 208**		**1 622 769**	**625 377**	**39 083**	**664 460**		**2 287 229**
Total liabilities and shareholders' equity	**37 682 585**	**1 600 495**	**139 994**	**(1 957 249)**	**37 465 825**	**6 409 128**	**46 486**	**6 455 614**	**(1 101 027)**	**42 820 412**
Investments made in:										
Property	207				207	1 052		1 052		1 259
Equipment and other tangible assets	6 539	166			6 705	17 473	217	17 690		24 395
Intangible assets	7 897	78			7 975	1 742		1 742		9 717

The BPI Group's income statement for the year ended 31 December 2013 Proforma, by segment, is as follows:

	Domestic operations					International operations			Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investment and others	Inter segment operations	Total	Angola	Others	Total		
Financial margin (narrow sense)	**255 769**	**653**	**(1 449)**		**254 973**	**190 536**	**(249)**	**190 287**		**445 260**
Gross margin on unit links	860	2 150			3 010					3 010
Income from equity instruments	1 048	92	1 845		2 985					2 985
Net commission relating to amortised cost	23 379				23 379	393		393		23 772
Financial margin	**281 056**	**2 895**	**396**		**284 347**	**190 929**	**(249)**	**190 680**		**475 027**
Technical result of insurance contracts	24 463	293			24 756					24 756
Commission received	255 343	43 991		(27 486)	271 848	37 669	266	37 935	(1 970)	307 813
Commission paid	(52 187)	(10 826)	(7)	27 486	(35 534)	(7 280)	(720)	(8 000)	1 970	(41 564)
Other income, net	18 554	73			18 627	23 953		23 953		42 580
Net commission income	**221 710**	**33 238**	**(7)**		**254 941**	**54 342**	**(454)**	**53 888**		**308 829**
Gain and loss on operations at fair value	23 648	10 630			34 278	89 920		89 920		124 198
Gain and loss on assets available for sale	132 243	38			132 281					132 281
Interest and financial gain and loss with pensions	4 120	73			4 193					4 193
Net income on financial operations	**160 011**	**10 741**			**170 752**	**89 920**		**89 920**		**260 672**
Operating income	22 927	(1 350)			21 577	1 383	71	1 454		23 031
Operating expenses	(34 835)	(1 423)			(36 258)	(813)	(2)	(815)		(37 073)
Other taxes	(4 248)	(829)	(1)		(5 078)	(2 668)	(72)	(2 740)		(7 818)
Net operating expenses	**(16 156)**	**(3 602)**	**(1)**		**(19 759)**	**(2 098)**	**(3)**	**(2 101)**		**(21 860)**
Operating income from banking activity	**671 084**	**43 565**	**388**		**715 037**	**333 093**	**(706)**	**332 387**		**1 047 424**
Personnel costs	(301 943)	(20 354)	(170)		(322 467)	(62 370)	(1 969)	(64 339)		(386 806)
General administrative costs	(167 297)	(10 693)	(28)		(178 018)	(54 522)	91	(54 431)		(232 449)
Depreciation and amortisation	(16 828)	(1 260)			(18 088)	(13 170)	(118)	(13 288)		(31 376)
Overhead costs	**(486 068)**	**(32 307)**	**(198)**		**(518 573)**	**(130 062)**	**(1 996)**	**(132 058)**		**(650 631)**
Recovery of loans, interest and expenses	15 310	3			15 313	2 289		2 289		17 602
Impairment losses and provisions for loans and guarantees, net	(264 588)	309			(264 279)	(8 369)		(8 369)		(272 648)
Impairment losses and other provisions, net	14 178	(140)	161		14 199	(2 170)		(2 170)		12 029
Net income before income tax	**(50 084)**	**11 430**	**351**		**(38 303)**	**194 781**	**(2 702)**	**192 079**		**153 776**
Income tax	(4 194)	(4 737)	3 906		(5 025)	(14 519)	(919)	(15 438)		(20 463)
Earnings of associated companies (equity method)	10 497		5 804		16 301		10 798	10 798		27 099
Global consolidated net income	**(43 781)**	**6 693**	**10 061**		**(27 027)**	**180 262**	**7 177**	**187 439**		**160 412**
Income attributable to minority interest	(1 135)				(1 135)	(92 262)		(92 262)		(93 397)
Consolidated net income of the BPI Group	**(44 916)**	**6 693**	**10 061**		**(28 162)**	**88 000**	**7 177**	**95 177**		**67 015**
Cash flow after taxes	222 322	7 784	9 900		240 006	111 709	7 295	119 004		359 010

4. NOTES

4.1. Cash and deposits at central banks

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Cash	446 448	369 451
Demand deposits at the Bank of Portugal	211 668	109 939
Demand deposits at foreign central banks	1 236 070	892 793
Accrued interest	17	28
	1 894 203	**1 372 211**

The caption DEMAND DEPOSITS AT THE BANK OF PORTUGAL includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. These deposits bear interest and correspond to 1% of the amount of Customers' deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum reserve system, liabilities to the ECB and national central banks that participate in the euro.

The caption DEMAND DEPOSITS AT FOREIGN CENTRAL BANKS includes deposits made by Banco de Fomento Angola in Banco Nacional de Angola (BNA) to comply with Angola's requirements for the maintenance of minimum cash reserves. These deposits do not bear interest. Compulsory cash reserves are currently calculated under the terms of BNA Instruction 1 / 2014 of 12 February (up to that date BNA Instruction 3 / 2013 of 1 July was in force) and must be held in kwanzas and in dollars, depending on the currency of the liabilities which serve as a base for determining the amount, and must be maintained during the whole period they refer to. At 31 December 2014 the requirement to maintain compulsory cash reserves was calculated by application of the rate of 12.5% to the mathematical average of the eligible liabilities in kwanzas and 15% to the mathematical average of the eligible liabilities in other currencies. At 31 December 2014 and 2013 the requirement to maintain compulsory cash reserves was calculated by application of a 15% rate to the mathematical average of the eligible liabilities in kwanzas and in other currencies.

4.2. Deposits at other credit institutions

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Domestic credit institutions		
Demand deposits	3 244	3 480
Cheques for collection	59 795	65 779
Other	1 957	1 042
Foreign credit institutions		
Demand deposits	309 722	395 071
Cheques for collection	5 757	4 112
Accrued interest		3
	380 475	**469 487**

Cheques for collection from domestic credit institutions correspond to cheques drawn by third parties against domestic credit institutions, which in general do not remain in this account for more than one business day.

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

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
FINANCIAL ASSETS HELD FOR TRADING		
Debt Instruments		
Bonds issued by Portuguese government entities	86 482	4 747
Bonds issued by foreign government entities	217 493	142 913
Bonds issued by other Portuguese entities		
Non-subordinated debt	17 095	14 711
Bonds issued by other foreign entities		49
Non-subordinated debt	35 363	9 940
	356 433	**172 360**
Equity instruments		
Shares issued by Portuguese entities	150 276	148 902
Shares issued by foreign entities	102 435	59 113
	252 711	**208 015**
Other securities		
Participating units issued by Portuguese entities	153	157
Participating units issued by foreign entities	98	92
	251	**249**
	609 395	**380 624**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Debt Instruments		
Bonds issued by Portuguese government entities	83 372	99 301
Bonds issued by foreign government entities	1 486 446	239 513
Bonds issued by other Portuguese entities		
Non-subordinated debt	68 142	71 240
Subordinated debt	102	
Bonds issued by other foreign entities		
Non-subordinated debt	86 501	43 350
Subordinated debt	2 245	1 589
	1 726 808	**454 993**
Equity instruments		
Shares issued by Portuguese entities	1 712	1 349
Shares issued by foreign entities	1 980	8 031
	3 692	**9 380**
Other securities		
Participating units issued by Portuguese entities	43 447	11 347
Participating units issued by foreign entities	344 360	237 717
	387 807	**249 064**
	2 118 307	**713 437**
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE (NOTE 4.4)	**290 031**	**223 497**
	3 017 733	**1 317 558**

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

	31 Dec. 14	31 Dec. 13 Proforma
Debt Instruments		
Of public entities	1 569 818	338 814
Other entities	156 838	116 179
Equity Instruments	4 096	9 628
Other securities	358 550	221 586
Derivative instruments with positive fair value	1 099	
	2 090 401	**686 207**

4.4. Derivatives

The caption DERIVATIVE INSTRUMENTS HELD FOR TRADING (notes 4.3 and 4.17) is made up as follows:

	31 Dec. 14			31 Dec. 13 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	499	15				
Exchange forwards and swaps	1 471 401	1 656	2 800	1 623 706	1 250	1 244
Interest rate contracts						
Futures	93 630	36	1	66 597	11	10
Options	365 726	2 217	1 122	473 833	3 051	3 284
Swaps	5 673 703	236 076	256 228	6 356 628	191 182	195 972
Contracts over shares						
Futures	9 487	61	122	12 509	162	222
Swaps	313 424	2 630	21 805	264 030	55	27 008
Options	267 637	1 192		31 225	614	19
Contracts over other underlying items						
Futures	50 519			51 737		
Others						
Options[2]	978 496	42 660	43 444	643 635	26 932	27 360
Others[3]	1 807 933		464	1 951 222		126
Overdue derivatives		3 488			240	
	11 032 455	**290 031**	**325 986**	**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 4.21).

The caption DERIVATIVE INSTRUMENTS HELD FOR HEDGING is made up as follows:

	31 Dec. 14			31 Dec. 13 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	135 381	30	171	172 541	51	29
Swaps	12 370 356	148 645	312 488	15 187 052	169 642	518 152
Contracts over shares						
Swaps	499 815	18	14 471	204 758	146	6 124
Contracts over credit events						
Swaps				9 240	33	
Contracts over other underlying items						
Swaps	9 232		89	12 758	334	316
Others						
Options[2]				570 583	23 837	23 837
	13 014 784	**148 693**	**327 219**	**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, to meet the needs of its Customers or hedge positions of a structural nature (hedging).

The BPI Group carries out financial derivative transactions in the form of contracts over exchange rates, interest rates, goods and metals futures price, shares or share indices (relating, among others, to inflation, shares) or a combination of these. These transactions are realised in over-the-counter (OTC) markets and in organised markets (especially stock exchanges).

Derivatives traded on organised markets follow the standards and rules of these markets.

Derivatives traded on the over-the-counter (OTC) markets are normally based on a standard bilateral contract that covers the group of operations over derivatives between the parties. In the case of inter-professional relationships, there is an ISDA – International Swaps and Derivatives Association Master Agreement. In the case of relations with Customers there is a BPI contract.

These types of contract include offsetting responsibilities in the event of non-compliance (the scope of the offsetting is established in the contract itself and is regulated by Portuguese legislation and, in the case of contracts with foreign counterparties or subject to foreign legislation, by the appropriate legislation).

Derivative contracts can also include an agreement to collateralise the credit risk generated by the transactions covered by them. Derivative contracts between two parties normally include all the derivative OTC transactions carried out between the two parties, irrespective of whether they are for hedging purposes or not.

In accordance with IAS 39, the parts of operations normally known as "embedded derivatives" are also considered separately and recorded as derivatives, in order to recognise, in net income, the fair value of these operations.

All derivatives (embedded or autonomous) are recorded at market value.

Derivatives are also recorded as off balance sheet items by their theoretical value (notional value). Notional value is the reference value for purposes of calculating the flow of payments and receipts resulting from the operation.

Market value (fair value) corresponds to the value of the derivatives if they were traded on the market on the reference date. Changes in the market value of derivatives are recognised in the appropriate balance sheet accounts and have an immediate effect on net income.

Note 4.49 includes details of the valuation methods used to determine the fair value of derivative financial instruments.

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, if positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group's operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces credit risk. Additionally, in order to control credit risk on OTC derivatives, some agreements have also been signed under which the Bank receives from, or transfers to, the counterparty, assets (in cash or in securities) to guarantee fulfilment of the obligations.

At 31 December 2014 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 199 426**	**259 590**	**12 385**			**1 471 401**
Forwards	213 026	257 733	12 385			483 144
Swaps	986 400	1 857				988 257
Interest rate contracts	**2 234 185**	**1 255 551**	**4 229 142**	**7 289 253**	**3 401 654**	**18 409 785**
Swaps	2 221 191	1 245 276	4 017 833	7 175 107	3 384 652	18 044 059
Options	12 994	10 275	211 309	114 146	17 002	365 726
Contracts over indexes and shares	**304 391**	**9 234**	**123 069**	**544 132**	**41 000**	**1 021 826**
Swaps	304 391	9 034	75 885	423 929		813 239
Options		200	47 184	120 203	41 000	208 587
Contracts over other underlying items		**5 970**	**3 262**			**9 232**
Swaps		5 970	3 262			9 232
Others	**107**	**11 232**	**773 435**	**1 519 205**	**482 450**	**2 786 429**
Options	107	11 232	208 580	690 958	67 619	978 496
Others			564 855	828 247	414 831	1 807 933
	3 738 109	**1 541 577**	**5 141 293**	**9 352 590**	**3 925 104**	**23 698 673**
Organized markets						
Exchange rate contracts	**499**					**499**
Futures	499					499
Interest rate contracts	**137 183**		**42 355**	**49 473**		**229 011**
Futures	137 183		42 355	49 473		229 011
Contracts over indexes and shares	**68 537**					**68 537**
Futures	9 487					9 487
Options	59 050					59 050
Contracts over other underlying items	**50 519**					**50 519**
Futures	50 519					50 519
	256 738		**42 355**	**49 473**		**348 566**
	3 994 847	**1 541 577**	**5 183 648**	**9 402 063**	**3 925 104**	**24 047 239**

At 31 December 2013 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 ano	> 1 ano <= 5 anos	> 5 anos	Total
Over-the-counter market						
Exchange rate contracts	**1 473 733**	**146 937**	**3 037**			**1 623 706**
Forwards	117 297	15 066	3 037			135 399
Swaps	1 356 436	131 871				1 488 307
Interest rate contracts	**1 106 526**	**1 103 140**	**5 204 896**	**9 503 795**	**5 099 156**	**22 017 513**
Swaps	1 085 499	1 056 598	5 011 945	9 310 798	5 078 840	21 543 680
Options	21 026	46 542	192 951	192 997	20 316	473 833
Contracts over indexes and shares	**264 030**	**8 500**	**115 322**	**112 161**		**500 013**
Swaps	264 030	8 500	84 234	112 024		468 788
Options			31 088	137		31 225
Contracts over credit events		**9 240**				**9 240**
Swaps		9 240				9 240
Contracts over other underlying items			**3 526**	**9 232**		**12 758**
Swaps			3 526	9 232		12 758
Others	**759**	**131 993**	**685 621**	**2 052 838**	**294 228**	**3 165 440**
Options	759	131 993	233 223	554 014	294 228	1 214 218
Others			452 398	1 498 824		1 951 222
	2 845 048	**1 399 810**	**6 012 402**	**11 678 027**	**5 393 384**	**27 328 670**
Organized markets						
Exchange rate contracts	**200 138**		**4 000**	**35 000**		**239 138**
Futures	200 138		4 000	35 000		239 138
Contracts over indexes and shares	**12 509**					**12 509**
Futures	12 509					12 509
Contracts over other underlying items	**51 737**					**51 737**
Futures	51 737					51 737
	264 384		**4 000**	**35 000**		**303 384**
	3 109 432	**1 399 810**	**6 016 402**	**11 713 027**	**5 393 384**	**27 632 054**

At 31 December 2014 the distribution of derivative operations, by counterparty external rating, was as follows::

31 Dec. 14	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	516 837	5 989	3 442	42
A+	1 229 627	3 211	650	192
A	6 853 257	88 856	49 923	4 083
A-	1 423 410	6 144	4 148	1 488
BBB+	2 836 954	35 215	3 376	706
BBB	693 871	12 250	8 066	2 336
BBB-	3 726 114	28 513	9 126	2 645
BB+	57 354	8 465	4 358	
BB-	205 819	1 096	1 096	1 096
N.R.	3 369 001	243 783	243 188	243 188
	20 912 244	**433 521**	**327 373**	**255 776**
Traded on the stock exchange				
Futures[5]	348 566			
	348 566			
	21 260 810	**433 521**	**327 373**	**255 776**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody's, Standard & Poor's and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivatives and other options in the amount of 2 786 429 th. euro.
2) Gross exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.
3) Amount of exposure without considering collateral and value adjustment due to credit risk.
4) Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.
5) The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

At 31 December 2013 the distribution of derivative operations, by counterparty external rating, was as follows:

31 Dec. 13	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	390 100	10 056	7 042	
A+	595 676	1 851		
A	9 490 583	113 966	59 327	2 212
A-	2 762 559	29 248	118	118
BBB+	33 657	1 292		
BBB	697 731	11 417	5 258	2 575
BBB-	5 869 425	23 902	2 421	1 051
BB+	62 840	7 843	5 059	
BB-	27 867	963	963	
N.R.	4 225 292	189 355	185 809	185 809
	24 163 230	**390 103**	**266 206**	**191 975**
Traded on the stock exchange				
Futures[5]	303 384			
	303 384			
	24 466 614	**390 103**	**266 206**	**191 975**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody's, Standard & Poor's and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivatives and other options in the amount of 3 165 440 th. euro.
2) Amount of exposure used for risk management purposes, without considering netting agreements, collateral and value adjustment due to credit risk.
3) Amount of exposure without considering collateral and value adjustment due to credit risk.
4) Amount of exposure considering netting agreements and collateral. The amount of possible exposure from excess collateral placed by BPI in its counterparties is not classified as derivative exposure.
5) The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

4.5. Financial assets available for sale

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Debt instruments		
Bonds issued by Portuguese government entities	3 352 382	5 163 311
Bonds issued by foreign government entities	3 226 519	3 341 475
Bonds issued by other Portuguese entities		
Non-subordinated debt	498	477
Bonds issued by other foreign entities		
Non-subordinated debt	139 068	149 002
Subordinated debt	491 125	644 639
	7 209 592	**9 298 904**
Equity instruments		
Shares issued by Portuguese entities	70 000	72 494
Impairment	(27 851)	(27 997)
Quotas	59 844	44 971
Shares issued by foreign entities	39 476	32 570
Impairment	(18 524)	(18 108)
	122 945	**103 930**
Other securities		
Participating units issued by Portuguese entities	230 921	236 099
Impairment	(41 611)	(18 188)
Participating units issued by foreign entities	4 418	2 122
Impairment	(1 734)	
	191 994	**220 033**
Loans and other receivables	**22 606**	**22 119**
Impairment	(21 359)	(20 743)
	1 247	**1 376**
Overdue bonds	1 045	1 635
Impairment on overdue bonds	(1 045)	(1 635)
	7 525 778	**9 624 243**

Banco BPI holds a portfolio of fixed rate bonds, issued by national and international entities, in which the interest rate risk is hedged by derivative instruments.

In 2014 the BPI Group sold bonds issued by Portuguese and foreign government entities with a nominal value of 850 000 th. euro and 487 500 th. euro, respectively. The impact of the sale was recognised in NET INCOME ON FINANCIAL OPERATIONS (note 4.41).

The caption LOANS AND OTHER RECEIVABLES corresponds to shareholders' loans to, and supplementary capital contributions in, companies classified as financial assets available for sale.

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

In 2013 the BPI Group reclassified a bond from Financial assets available for sale to Loans and advances to Customers (note 4.7), under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49). The reclassification was made based on the price at the reclassification date.

The changes in impairment losses and provisions in 2014 and 2013 are shown in note 4.22.

At 31 December 2014 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
SECURITIES								
Debt Instruments								
Issued by Portuguese entities								
Portuguese public debt								
Treasury Bills								
BILHETES DO TESOURO-CZ-17.07.2015	153 484 000	1.00	1.00	153 068	153 229	25		
BILHETES DO TESOURO-CZ-18.12.2015	136 622 000	1.00	1.00	136 216	136 219	(28)		
BILHETES DO TESOURO-CZ-17.04.2015	338 533 000	1.00	1.00	336 697	338 343	364		
BILHETES DO TESOURO-CZ-18.09.2015	67 000 000	1.00	1.00	66 859	66 856	(35)		
BILHETES DO TESOURO-CZ-19.06.2015	108 600 000	1.00	1.00	108 439	108 469	(20)		
BILHETES DO TESOURO-CZ-20.02.2015	300 416 000	1.00	1.00	298 898	300 353	168		
BILHETES DO TESOURO-CZ-20.03.2015	305 742 000	1.00	1.00	304 273	305 650	254		
BILHETES DO TESOURO-CZ-20.11.2015	111 677 000	1.00	1.00	111 327	111 352	(12)		
BILHETES DO TESOURO-CZ-21.08.2015	105 000 000	1.00	1.00	104 775	104 795	(44)		
BILHETES DO TESOURO-CZ-22.05.2015	448 666 000	1.00	1.00	446 147	448 330	651		
BILHETES DO TESOURO-CZ-23.01.2015	413 659 000	1.00	1.00	411 338	413 597	92		
				2 478 037	**2 487 193**	**1 415**		
Treasury Bonds								
OT – 3.35% (15.10.2015)	100 000	0.01	0.01	139	103	4		
OT – 4.35% (16.10.2017)	1 550 000	0.01	0.01	1 627	1 708	84		
OT – 4.75% (14.06.2019)	740 000 000	0.01	0.01	785 666	863 378	81 208	(108 360)	
				787 432	**865 189**	**81 296**	**(108 360)**	
Other residents								
Non-subordinated debt								
Other bonds								
SEMAPA – 2006 / 2016	500 000	50 000.00	49 625.00	495	498	(3)		
				495	**498**	**(3)**		
Issued by non-residents								
By foreign government entities								
Bonds								
BILHETES DO TESOURO (Angola)	59 507 466	7.99		453 342	462 800			
BUONI POLIENNALI DEL T-4.25%-01.09.2019	312 500 000	1 000.00	1 146.25	319 558	362 593	42 387	(50 357)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1 000.00	1 144.90	185 458	202 961	20 764	(26 812)	
OBRIGAÇÕES DO TESOURO – AKZ (Angola)	519 353	798.75		519 762	1 784 008			
OBRIGAÇÕES DO TESOURO – USD (Angola)	70 264	159.75		406 818	414 157			
				1 884 938	**3 226 519**	**63 151**	**(77 169)**	
Others non-residents								
Non-subordinated debt								
Bonds								
ATLANTES MORTGAGE-SR.1-CL.A (17.1.2036)	732 205	14 644.09	14 497.65	639	726	(7)		
BARCLAYS BANK PLC-TV-25.05.2017	2 961 033	42 300.47	32 184.74	2 138	2 253	(310)		
CELF LOAN PART.BV-SR.2005-1X CL.A 2021	77 229	96.54	96.43	75	77			
COSAN FINANCE LTD-7%-01.02.2017	16 473 108	823.66	868.84	16 299	17 854	986	(1 869)	
DUCHESS-SR.V-X CL.B-TV.25.05.2021	800 000	1 000.00	990.00	742	792	19		
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	64 300.00	794	518	(286)		
GAZ CAPITAL(GAZPROM)-6.212% (22.11.2016)	26 768 800	823.66	795.48	26 676	26 029	(898)	(2 233)	
HARVEST CLO-SR.II-X CL.A (21.05.2020)	33 098	624.48	622.67	32	33			
KION MORTGAGE FIN SR.06-1 CL.A-15.07.51	77 684	1 213.82	1 043.14	77	67	(10)		
LAFARGE-4.25% (23.03.2016)	30 000 000	1 000.00	1 039.25	29 567	32 166	1 340	(1 651)	
LAFARGE-6.5%-15.07.2016	7 412 898	823.66	875.13	7 622	8 097	431	(527)	
OTE PLC-4.625%-20.05.2016	25 000 000	50 000.00	50 425.50	24 916	25 926	227	(1 295)	
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	23 000 000	1 000.00	1 032.72	22 058	24 530	1 216	(2 296)	
				131 635	**139 068**	**2 708**	**(9 871)**	
Subordinated debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	135 000 000	1 000.00	1 058.75	128 393	148 061	9 373	(11 539)	
ALLIANZ FRANCE-4.625%-PERP	6 700 000	1 000.00	1 011.42	6 608	6 950	88	(122)	

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
Bonds (cont.)								
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	800 000	100 000.00	96 570.00	746	775	(20)		
BANCO SABADELL-5.234%-PERPETUA	50 000	50 000.00	42 500.00	49	43	(7)		
C8 CAPITAL SPV – 6.64% – PERPETUA	53 537 600	823.66	716.58	53 313	46 577	(6 959)		
DONG A/S – 5.5% (29.06.3005)	65 000 000	1.00	1.02	65 104	67 861	1 041	(1 539)	
GENERALI FINANCE BV – 5.479% – PERPETUAS	75 000 000	50 000.00	51 850.00	75 982	81 445	2 554	(6 408)	
GRANITE MASTER-SR.2006-1A-CL.A5-20.12.54	486 654	88.48	87.94	481	484	(3)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2C	500 000	100 000.00	102 374.80	499	512	12		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2M	500 000	100 000.00	100 514.20	499	503	3		
GRANITE MORTG.-TV(20.9.2044)-SR.04-3/2C	153 488	383.72	383.81	152	154			
HARBOURMASTER CLO-S.4X-CL.A3(11.10.2019)	500 000	1.00	0.94	491	471	(26)		
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	88 000.00	198	176	(24)		
MADRID RMBS FTA-SR.06-1 CL.A2-22.06.2049	197 288	49 322.10	45 994.49	194	184	(10)		
OLD MUTUAL PLC-OB.PERPETUA	14 000 000	1 000.00	1 006.38	13 897	14 199	124	(456)	
PELICAN MORTGAGES-2/B (15.9.2036)	290 000	10 000.00	9 108.88	286	264	(26)		
RHODIUM BV – SR.1X-CL.C (27.5.2084)	800 000	100 000.00	83 000.00	785	665	(136)		
SIEMENS FINANCIERINGSMAT-5.25% 14.9.2066	50 000 000	1 000.00	1 064.83	50 877	54 018	3 070	(3 439)	
VATTENFALL AB-TV. PERP.	65 000 000	1 000.00	1 016.21	64 699	67 783	1 103	(1 536)	
				463 253	**491 125**	**10 157**	**(25 039)**	
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE SA	782 210	1.00	1.00	782	782			
ALAR – EMP.IBERICA MATERIAL AERONAUTICO	2 200	4.99		20	20			
ALBERTO GASPAR, SA	60 000	5.00		141				141
APIS-SOC.IND.PARQUETES AZARUJENSE (C)	65 000	4.99						
APOR-AG.P/MODERNIZAÇAO PORTO – CL.B	5 665	5.00		26	26			
BOAVISTA FUTEBOL CLUBE, FUTEBOL,SAD	21 900	5.00		110				110
BOMBARDIER TRANSPORTATION PORTUGAL SA	1	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
C.ª AG.FONTE SANTA MONFORTINHO-D.SUB/E.98	10	5.00						
CADERNO VERDE – COMUNICAÇAO (C)	134 230	1.00		967				967
CARAVELA GEST, SGPS, SA	272 775	5.00	1.01	1 895	275	108		1 729
CARMO & BRAZ (C)	65 000	4.99						
CIMPOR – CIM.DE PORTUGAL-SGPS	3 565	1.00	1.17	7	4	(3)		
COMP.ª AURIFICIA – N	1 186	7.00	1 111.30	25	1 318	1 293		
COMP.ª PRESTAMISTA PORTUGUEZA	10	1.00						
COMP.ª FIAÇAO E TECIDOS DE FAFE – P	168	4.99						
COMUNDO-CONSORCIO MUNDIAL IMP.EXP.	3 119	0.50		5	1			4
CONDURIL, SA	184 262	5.00	54.47	806	10 036	9 231		
CORTICEIRA AMORIM – SGPS	127 419	1.00	3.02	315	385	311		240
DIGITMARKET-SIST.INF.-N	4 950	1.00		743				743
EIA-ENSINO INVESTIGAÇAO E ADMINIST.	10 000	4.99		50				50
EMP.CINEMATOGRAFICA S.PEDRO	100	4.99						
EMPRESA O COMERCIO DO PORTO	50	2.49		1	1			
ESENCE – SOC.NAC.CORTICEIRA – N	54 545	4.99						
ESTAMPARIA IMPERIO-EMP.IND.IMOBILIARIOS	170	4.99		1	1			
EURODEL-IND.METALURGICAS E PARTICIPAÇOES	8	5.00						
EUROFIL – IND.PLAST.E FILAM.	11 280	4.99		25	25			
F.I.T.-FOM.IND.TOMATE – P	148	4.99		3	3			
FAB. VASCO DA GAMA – IND.TRANSF.	33	4.99		1	1			
GAP – SGPS	548	4.99		3	3			
GARVAL – SOCIEDADE DE GARANTIA MUTUA	1 048 890	1.00	1.00	1 049	1 049			
GEIE – GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	1.00		13				13
GESTINSUA – AQ.AL.PATRIMONIOS IMOB.MOB.	430	5.00		2				2
GREGORIO & CA.	1 510	4.99		4	4			
IMPRESA SGPS	6 200 000	0.50	0.79	22 791	4 886	2 965		20 868
INCAL-IND.E COM.DE ALIMENTAÇÃO	2 434	1.13		2	2			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1 307				1 307
J.SOARES CORREIA-ARMAZENS DE FERRO	84	5.00		2	2			
JOTOCAR – JOÃO TOMAS CARDOSO – P	3 020	4.99		8	8			
LISGARANTE – SOC.DE GARANTIA MUTUA	185 135	1.00	1.00	185	185			

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair value[1]	Net gain / (loss) on securities[2]	Hedge accoun-ting effect[2]	Impairment
		Nominal	Listing / price					
Shares (cont.)								
LISNAVE – EST.NAVAIS	180	5.00		1	1			
MARGUEIRA-SOC.GEST.DE FUNDOS INV.IMOB.-N	3 511	5.00		18	18			
MATUR-SOC.EMPREEND.TURISTICOS DA MADEIRA	13 175	5.00		143				143
MATUR-SOC.EMPREEND.TURISTICOS MADEIRA-N	4	5.00						
METALURGIA CASAL – P	128	4.99		1	1			
MIMALHA, SA	40 557	4.99		336				336
MORETEXTILE,SGPS,SA	711	1.00		1	1			
NET – NOVAS EMPRESAS E TECNOLOGIAS – N	20 097	5.00	3.32	73	67	(6)		
NEWPLASTICS	1 445	1.00		1	1			
NEXPONOR-SICAFI	1 933 840	5.00		9 669	9 669			
NORGARANTE – SOC.DE GARANTIA MUTUA	37 730	1.00	1.00	38	38			
NOTORIOUSWAY, SA	2 500	1.00		3	3			
NUTROTON SGPS – C	11 395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	7.13	50	71	31		10
PORTO DE CAVALEIROS, SGPS	2	4.99						
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.78	2 692	2 895	203		
PRIMUS – PROM.DESENVOLVIMENTO	8 000	1.00		40	16			24
SALVOR – SOC.INV.HOTELEIRO – P	10	5.00						
SANJIMO – SOCIEDADE IMOBILIARIA	1 620	4.99		8				8
SAPHETY LEVEL – TRUSTED SERVICES	5 069	1.00		98				98
SDEM-SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	1.00	0.32	938	303			634
SENAL-SOC.NAC.DE PROMOÇÃO DE EMPRESAS-P	450	0.50						
SIBS – SGPS, SA	738 455	5.00		3 115	3 115			
SOC.CONSTRUÇÕES ERG	50	4.99						
SOC.CONSTRUÇÕES ERG (EM.93) – IR (C)	6	4.99						
SOC.INDUSTRIAL ALIANÇA (VN 500.$00)	1	2.49						
SODIMUL-SOC.DE COMERCIO E TURISMO	25	14.96		2	2			
SOFID-SOC.P/FIN.DES.-INST.FIN.CREDITO SA	1 000 000	1.00	0.96	1 250	965			285
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1 420	2.50						
SONAE – SGPS	36 868	1.00	1.02	69	37	23		55
SOPEAL-SOC.PROM.EDUC.ALCACERENSE	100	4.99						
SPIDOURO-SOC.PROM.EMP.INV.DOURO E T.M.	15 000	4.99		75				75
SPI-SOC PORTUGUESA DE INOVACAO	1 500	5.00		7	7			
STAR – SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3	3			
TAEM – PROCESSAMENTO ALIMENTAR,SGPS, SA	125	1.00						
TAGUSPARQUE – N	436 407	5.00		2 177	2 177			
TELECINE MORO – SOC.PRODUTORA DE FILMES	170	4.99		1				1
TEROLOGOS-TECNOLOGIAS DE MANUTENÇÃO – P	7 960	4.99		40	40			
TEXTIL LOPES DA COSTA	4 900	4.99		8				8
TUROPA-OPERADORES TURISTICOS	5	4.99						
UNICER – BEBIDAS DE PORTUGAL	1 002	1.00	8.07	8	8			
VIALITORAL – CONC. RODOVIARIA MADEIRA	4 750	161.25	766.95	792	3 643	2 851		
VNCORK SGPS	151	1.00						
XELB-CORK – COM.E INDUSTRIA DE CORTIÇA	87	4.99						
				52 997	**42 149**	**17 007**		**27 851**
Quotas								
PROPAÇO – SOC.IMOB.DE PAÇO D'ARCOS		1.00		1	1			
VIACER – SOC.GEST.PART.SOCIAIS, SA		1.00		48 160	59 843	11 683		
				48 161	**59 844**	**11 683**		
Issued by non residents								
Shares								
ALTITUDE SOFTWARE B.V.	6 386 243	0.04		13 810				13 810
AMSCO-USD	1 807	823.66		824				824
BVDA				246	246			
CAIXABANK ELECTRONIC MONEY, EDE, SL	35 000	1.00		88	88			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO BODEGAS)	7 786	100.00	98.61	4 399	767			3 631
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
Shares (cont.)								
EASDAQ NV	100	1.42		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS (CAPITAL)				2 401	2 401			
EUROPEAN INVESTMENT FUND	14	1 000 000.00	1 207 185.00	15 325	16 901	1 576		
GROWELA CABO VERDE	19 000	9.07		172				172
IMC-INSTITUTO DO MERCADO DE CAPITAIS				3	3			
INTERBANCOS								
NCG BANCO SA	18 583	1.00		29				29
OSEO – SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	78	125.00		151	151			
SOPHA(BFA E FESA)				3	3			
THARWA FINANCE – MAD	20 895			194	271	77		
UNIRISCO GALICIA	80	1 202.02	1 319.49	96	106	36		27
VISA EUROPE LIMITED	1	10.00						
				37 787	**20 952**	**1 689**		**18 524**
Others								
Issued by residents								
Participating Units								
CITEVE – CENT.TEC.IND.TEX.VEST.PORTUGAL	20	498.80		10	10			
EGP-UNIVERSITY OF PORTO BUS.SCHOOL ASS.	2	4.99		70	70			
FCR – FUNDO REVITALIZAR CENTRO	7 272 727	1.00	0.99	7 273	7 177	(96)		
FCR – FUNDO REVITALIZAR NORTE	7 272 728	1.00	0.98	7 273	7 152	(121)		
FCR – FUNDO REVITALIZAR SUL – CAT.A2	1 818 182	1.00	0.99	1 818	1 794	(24)		
FCR – FUNDO REVITALIZAR SUL – CAT.B2	1 818 181	1.00	0.99	1 818	1 794	(24)		
FCR – FUNDO REVITALIZAR SUL – CAT.C2	1 818 182	1.00	0.99	1 818	1 794	(24)		
FCR F-HITEC (ES VENTURES)	500 000	1.00	1.01	500	504	4		
FCR PORTUGAL VENTURES ACTEC	50		8 700.73	500	435			65
FCR PORTUGAL VENTURES GPI	9	25 000.00	19 908.96	200	182	4		22
FCR PORTUGAL VENTURES-FIEP	3 783	1 000.00	783.33	3 783	2 963			820
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	8 030.62	3 568	1 317			2 250
FCR-PORTUGAL VENTURES VALOR 2	131	3 420.24	3 420.24	2 630	447	2		2 185
FUNDO CAP. RISCO TURISMO INOVACAO CAT.B	12	50 000.00	55 718.02	600	669	69		
FUNDO CARAVELA – CAP. REDUZIDO	3 121	3 738.80	3 084.23	11 751	9 626	(2 125)		
FUNDO INTER-RISCO II – F.C.R.-CL.A	7 500	5 000.00	3 735.35	37 500	28 015			9 485
FUNDO INTER-RISCO II CI-FUNDO C.DE RISCO	6 000	5 000.00	4 766.87	30 144	28 601	(1 543)		
FUNDO RECUPERACAO,FCR-CATEGORIA B	95 000	1 000.00	767.09	95 000	72 873			22 126
FUNDO RECUPERACAO,FCR-CATEGORIA C	20 000	1 000.00	767.09	20 000	15 342			4 658
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR	5 607	1 000.00	980.47	5 607	5 497	(110)		
INEGI INSTITUTO DE ENGENHARIA MECANICA	5 000			25	25			
UNICAMPUS-FEIIF	3 000	1 000.00	1 007.66	3 000	3 023	23		
				234 888	**189 310**	**(3 965)**		**41 611**
Issued by non-residents								
Participating units								
FUNDO BPI-EUROPA	23 405	0.01	12.79	171	299	128		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	4 118 364	1.00	0.58	4 118	2 385			1 734
				4 289	**2 684**	**128**		**1 734**
Loans and others receivables								
Loans and shareholder's loans								
EMIS – EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					97			
MORETEXTILE SGPS, SA								11 699
NEWPLASTIC								1 519
PETROCER SGPS, LDA					200			
PROPACO-IMOBILIARIA DE PACO D'ARCOS					896			4 317
SAPHETY Level – Trusted Services SA					54			154
TAEM-PROCESSAMENTO ALIMENTAR								3 511
VNCORK-SGPS,SA								159
					1 247			**21 359**

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Nature and type of security	Quantity	Amounts per unit (€)		Cost	Book value / fair value[1]	Net gain / (loss) on securities[2]	Hedge accounting effect[2]	Impairment
		Nominal	Listing / price					
Overdues Bonds								
Suprimentos – Intersis				50				50
Suprimentos – Maxstor				972				972
Suprimentos – GEIE				23				23
				1 045				**1 045**
				6 124 957	**7 525 778**	**185 266**	**(220 439)**	**112 124**

1) Net of impairment.
2) Amount recorded in REVALUATION RESERVES (note 4.31).

Banco BPI carried out a series of operations relating to the transfer of financial assets (Loans to Customers) to specialized credit recovery funds (Fundo de Recuperação, FCR and Fundo de Reestruturação Empresarial FCR). These funds aim to recover companies that, despite having financial difficulties, have sustainable business models.

In addition, under the transfer of asset operations, the Bank subscribed for:

- participating units in the credit recovery funds and in the companies controlled by these funds;
- shares and shareholders' loans of companies controlled by these funds.

The credit recovery funds in which Banco BPI participates have a specific management structure, fully independent of the Bank and are held by several banks in the market (which are credit transferors). The Bank has a minority interest in these funds.

At 31 December 2014 and 2013, the portfolio of financial assets available for sale included 68 281 th. euro and 72 951 th. euro, respectively, relating to securities and shareholders' loans subscribed for by Banco BPI under transfer of assets operations:

	31 Dec. 14				
	Subscribed securities under operations of tranfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net value
Fundo de Recuperação, FCR[2]	91 163	15 151	(26 785)	(15 151)	64 378
Fundo de Reestruturação Empresarial, FCR	3 903				3 903
	95 066	**15 151**	**(26 785)**	**(15 151)**	**68 281**

Note: Amounts net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 1 737 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. and Moretextile S.A.

	31 Dec. 13				
	Subscribed securities under operations of tranfer of assets				
	Participating units and shares	Shareholder's loans[1]	Impairment in participating units and shares	Impairment in shareholder's loans	Net value
Fundo de Recuperação, FCR[2]	81 916	15 151	(14 037)	(15 151)	67 879
Fundo de Reestruturação Empresarial, FCR	5 072				5 072
	86 988	**15 151**	**(14 037)**	**(15 151)**	**72 951**

Note: Amounts net of unrealized subscribed capital recorded in the caption OTHER LIABILITIES.
1) Does not include interest in the amount of 1 293 th. euro, for which impairment of 100% has been recorded.
2) Includes the companies controlled by Fundo de Recuperação, FCR: Notoriousway S.A., Newplastics S.A., Vncork SGPS S.A., TAEM – Processamento Alimentar SGPS S.A. e Moretextile S.A.

Operations relating to the transfer of assets carried out by Banco BPI include the sale of loans granted to operating industrial and hospitality companies, which, because of the change of the economic environment, were having difficulties in complying with their financial commitments to the Bank. All the assets sold correspond to loans to corporate Customers of Banco BPI, no real estate having been traded.

Following the ceding of loan operations, they were derecognized from the balance sheet, as all the requirements of IAS 39 on this matter were fulfilled, namely transfer of a substantial part of the risks and benefits relating to the ceded loan operations, and therefore control. Additionally, Banco BPI does not consolidate the funds and companies that own the assets as it only has a minority participation in them. The loans sold, net of impairments, totalled 78 497 th. euro and 66 405 th. euro at 31 December 2014 and 2013, respectively.

	31 Dec. 14			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	**48 967**	**102 023**	**10 635**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

	31 Dec. 13			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR[2]	103 589	40 918	85 788	10 228
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	107 323	**40 918**	**89 522**	**10 228**

1) The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.
2) Includes sales to companies controlled by Fundo de Recuperação, FCR.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Loans and advances to other Portuguese credit institutions		
Very short term loans and advances	10 378	
Deposits	308 394	346 060
Other loans	80 000	59 100
Securities purchased with resale agreements	71 740	4 670
Other advances	2 158	9 491
Accrued interest	655	843
	473 325	**420 164**
Loans and advances to other foreign central banks	1 008 468	327 540
Loans and advances to other foreign credit institutions		
Very short term loans and advances	426 201	309 416
Deposits	143 478	105 131
Loans	44	44
Securities purchased with resale agreements		28 881
Other loans and advances	528 443	693 730
Accrued interest	8 878	1 187
	2 115 512	**1 465 929**
Commission relating to amortised cost (net)	(18)	(21)
	2 588 819	**1 886 072**
Impairment	(2)	(2)
	2 588 817	**1 886 070**

The changes in impairment losses and provisions in 2014 and 2013 are presented in note 4.22.

4.7. Loans and advances to Customers

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Loans		
Domestic loans		
Companies		
Discount	109 793	91 484
Loans	4 575 456	5 123 437
Commercial lines of credit	718 210	852 796
Demand deposits – overdrafts	93 588	134 342
Invoices received – factoring	370 973	375 189
Finance leasing	240 671	215 594
Real estate leasing	338 950	373 626
Other loans	20 478	18 328
Loans to individuals		
Housing	11 023 969	11 390 108
Consumer	672 353	717 098
Other loans	466 521	498 513
Foreign loans		
Companies		
Discount	357	622
Loans	2 734 100	2 245 142
Commercial lines of credit	260 378	144 305
Demand deposits – overdrafts	10 394	22 259
Invoices received – factoring		826
Finance leasing	384	171
Real estate leasing	781	884
Other loans	275 394	301 621
Loans to individuals		
Housing	106 943	210 177
Consumer	268 614	223 910
Other loans	88 759	87 326
Accrued interest	69 496	63 544
	22 446 562	**23 091 302**

(continues)

(continued)

	31 Dec. 14	31 Dec. 13 Proforma
Securities		
Issued by Portuguese government entities	99 983	99 963
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 314 235	1 267 965
Commercial paper	833 708	986 755
Subordinated debt	11 800	
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	471 081	374 443
Subordinated debt securities	20 500	24 720
Accrued interest	16 989	19 213
Deferred interest	(521)	(911)
	2 767 775	**2 772 148**
Correction of the amount of hedged assets	44 659	33 922
Commission relating to amortised cost (net)	2 941	2 467
	25 261 937	**25 899 839**
Overdue loans and interest	1 043 693	997 229
Loan impairment	(1 036 661)	(931 935)
	25 268 969	**25 965 133**

Loans and Advances to Customers include the following non-derecognized securities assets:

	31 Dec. 14	31 Dec. 13 Proforma
Non-derecognised securitised assets[1]		
Loans		
Housing	4 362 912	4 618 430
Loans to SME's	3 162 490	3 101 221
Accrued interest	17 686	18 500
	7 543 088	**7 738 151**

1) Excluding credit and interests overdue.

The loans subject to securitisation operations carried out by Banco BPI were not derecognised from the Bank's balance sheet and are recorded under the caption LOANS. The amounts received by Banco BPI from these operations are recorded under the caption LIABILITIES RELATING TO ASSETS NOT DERECOGNISED IN SECURITISATION OPERATIONS (notes 2.3.4 and 4.21).

At 31 December 2014 and 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 4.20), namely:

- 5 772 866 th. euro and 5 792 852 th. euro, respectively, allocated as collateral to mortgage bonds;
- 672 417 th. euro and 673 149 th. euro, respectively, allocated as collateral to public sector bonds.

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

	31 Dec. 14	31 Dec. 13 Proforma
Debt instruments		
Issued by Portuguese government entities	99 983	99 963
Issued by other Portuguese entities	1 422 356	1 238 859
Issued by other foreign entities	472 205	377 812
	1 994 544	**1 716 634**

The changes in impairment losses and provisions in 2014 and 2013 are presented in note 4.22.

At 31 December 2014 the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Exposure					Impairment		
	Total exposure[1]	**Credit not at risk**	Of which restructured	**Credit at risk**	Of which restructured	Total impairment	**Credit not at risk**	**Credit at risk**
DOMESTIC ACTIVITY	**24 272 352**	**23 053 301**	**1 122 266**	**1 219 051**	**508 113**	**958 795**	**295 676**	**663 119**
Corporate banking	3 946 083	3 619 117	398 076	326 966	191 766	287 748	83 949	203 799
Large companies	1 457 119	1 388 997	103 917	68 122	48 734	69 735	31 776	37 959
Medium-sized companies	2 488 964	2 230 120	294 159	258 844	143 032	218 013	52 173	165 840
Project Finance – Portugal	1 177 534	1 077 033	132 713	100 501	40 974	61 530	9 045	52 485
Madrid	1 475 744	1 299 392	214 398	176 352	102 665	176 867	54 239	122 628
Project Finance	689 640	627 489	84 709	62 151	16 645	58 270	26 561	31 709
Corporate	786 104	671 903	129 689	114 201	86 020	118 597	27 678	90 919
Public sector	1 431 525	1 400 835	82 379	30 690	29 697	5 661	398	5 263
Central administration	215 422	215 422						
Regional and local administration	814 108	813 989	81 008	119	2	13	4	9
State Corporate Sector – in the budget perimeter	64 128	64 128				3	3	
State Corporate Sector – outside the budget perimeter	302 010	271 718	148	30 292	29 695	5 247	7	5 240
Other institutional	35 857	35 578	1 223	279		398	384	14
Individuals and Small Businesses Banking	13 815 750	13 234 109	294 700	581 641	143 011	415 063	136 434	278 629
Mortgage loans to individuals	11 342 605	10 946 074	168 212	396 531	76 808	245 835	101 546	144 289
Consumer credit / other purposes	577 240	546 690	33 335	30 550	13 125	28 915	5 457	23 458
Credit cards	173 159	167 064	24	6 095	4	7 343	2 145	5 198
Car financing	137 133	134 432	153	2 701	68	1 726	468	1 258
Small businesses	1 585 613	1 439 849	92 976	145 764	53 006	131 244	26 818	104 426
Others[2]	2 425 716	2 422 815		2 901		11 926	11 611	315
INTERNATIONAL ACTIVITY	**1 899 714**	**1 814 807**	**3 898**	**84 907**	**34 334**	**77 866**	**37 801**	**40 065**
Total	**26 172 066**	**24 868 108**	**1 126 164**	**1 303 958**	**542 447**	**1 036 661**	**333 477**	**703 184**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 the amount of the exposure and impairment of loans and advances to Customers was made up as follows:

Segment	Total exposure[1]	Total exposure				Imparidade total	Total Impairment			
		Credit not at risk		Credit at risk			Credit not at risk		Credit at risk	
		Days in arrears		Days in arrears			Days in arrears		Days in arrears	
		< 30[2]	between 30-90	<= 90	> 90 days		< 30[2]	between 30-90	<= 90	> 90 days
DOMESTIC ACTIVITY	**24 272 352**	**22 918 479**	**134 822**	**48 370**	**1 170 681**	**958 795**	**263 795**	**31 881**	**30 507**	**632 612**
Corporate banking	3 946 083	3 598 182	20 935	44 093	282 873	287 748	79 453	4 496	29 587	174 212
Large companies	1 457 119	1 388 085	912	35 497	32 625	69 735	31 199	577	25 391	12 568
Medium-sized companies	2 488 964	2 210 097	20 023	8 596	250 248	218 013	48 254	3 919	4 196	161 644
Project Finance – Portugal	1 177 534	1 077 033			100 501	61 530	9 045			52 485
Madrid	1 475 744	1 299 392			176 352	176 867	54 239			122 628
Project Finance	689 640	627 489			62 151	58 270	26 561			31 709
Corporate	786 104	671 903			114 201	118 597	27 678			90 919
Public sector	1 431 525	1 400 835		724	29 966	5 661	398		116	5 147
Central administration	215 422	215 422								
Regional and local administration	814 108	813 989			119	13	4			9
State Corporate Sector – in the budget perimeter	64 128	64 128				3	3			
State Corporate Sector – outside the budget perimeter	302 010	271 718		588	29 704	5 247	7		102	5 138
Other institutional	35 857	35 578		136	143	398	384		14	
Individuals and Small Businesses Banking	13 815 750	13 120 222	113 887	3 553	578 088	415 063	109 049	27 385	804	277 825
Mortgage loans to individuals	11 342 605	10 856 080	89 994	1 271	395 260	245 835	80 553	20 993	325	143 964
Consumer credit / other purposes	577 240	538 686	8 004	269	30 281	28 915	3 280	2 177	129	23 329
Credit cards	173 159	166 255	809	23	6 072	7 343	1 850	295	13	5 185
Car financing	137 133	133 468	964	50	2 651	1 726	341	127	1	1 257
Small businesses	1 585 613	1 425 733	14 116	1 940	143 824	131 244	23 025	3 793	336	104 090
Others[3]	2 425 716	2 422 815			2 901	11 926	11 611			315
INTERNATIONAL ACTIVITY	**1 899 714**	**1 801 667**	**13 140**		**84 907**	**77 866**	**36 857**	**944**		**40 065**
Total	**26 172 066**	**24 720 146**	**147 962**	**48 370**	**1 255 588**	**1 036 661**	**300 652**	**32 825**	**30 507**	**672 677**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes non-defaulting loans (no days in arrears).
3) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 the amount of the exposure and impairment of loans and advances to Customers assessed individually and collectively, by segment, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which:		Individual impairment	Collective impairment	Total impairment
				Individually assessed	Collectively assessed			
DOMESTIC ACTIVITY	**23 292 413**	**979 939**	**24 272 352**	**3 483 220**	**20 789 132**	**545 635**	**413 160**	**958 795**
Corporate banking	3 653 473	292 610	3 946 083	681 446	3 264 637	265 905	21 843	287 748
Large companies	1 419 924	37 195	1 457 119	247 847	1 209 272	64 216	5 519	69 735
Medium-sized companies	2 233 549	255 415	2 488 964	433 599	2 055 365	201 689	16 324	218 013
Project Finance – Portugal	1 154 721	22 813	1 177 534	241 826	935 708	60 927	603	61 530
Madrid	1 306 055	169 689	1 475 744	422 795	1 052 949	174 163	2 704	176 867
Project Finance	634 152	55 488	689 640	157 739	531 901	57 357	913	58 270
Corporate	671 903	114 201	786 104	265 056	521 048	116 806	1 791	118 597
Public sector	1 424 734	6 791	1 431 525	33 292	1 398 233	5 638	23	5 661
Central administration	215 422		215 422		215 422			
Regional and local administrationl	813 989	119	814 108		814 108		13	13
State Corporate Sector – in the budget perimeter	64 128		64 128		64 128		3	3
State Corporate Sector – outside the budget perimeter	295 371	6 639	302 010	30 283	271 727	5 240	7	5 247
Other institutional	35 824	33	35 857	3 009	32 848	398		398
BIndividuals and Small Business Banking	13 330 740	485 010	13 815 750	97 403	13 718 347	27 448	387 615	415 063
Mortgage loans to individuals	11 024 078	318 527	11 342 605	514	11 342 091	258	245 577	245 835
Consumer credit / other purposes	553 876	23 364	577 240	2	577 238		28 915	28 915
Credit cards	166 933	6 226	173 159	2	173 157	2	7 341	7 343
Vehicle financing	134 852	2 281	137 133	14	137 119	10	1 716	1 726
Small business	1 451 001	134 612	1 585 613	96 871	1 488 742	27 178	104 066	131 244
Others[2]	2 422 690	3 026	2 425 716	2 006 458	419 258	11 554	372	11 926
INTERNATIONAL ACTIVITY	**1 835 960**	**63 754**	**1 899 714**	**-**	**-**	**-**	**-**	**77 866**
	25 128 373	**1 043 693**	**26 172 066**	**3 483 220**	**20 789 132**	**545 635**	**413 160**	**1 036 661**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.
2) Includes 2 005 739 th. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At 31 December 2014 the amount of exposure and impairment of Loans and advances to Customers assessed individually and collectively, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	of which: Individually assessed	of which: Collectively assessed	Individual impairment	Collective impairment	Total impairment
DOMESTIC ACTIVITY								
Corporates	11 046 694	608 898	11 655 592	3 460 447	8 195 145	537 140	112 413	649 553
Agriculture, animal production and hunting	210 805	10 552	221 357	25 803	195 554	5 628	3 642	9 270
Forestry and forest operations	11 962	380	12 342		12 342		469	469
Fishing	36 486	21 693	58 179	46 271	11 908	37 598	44	37 642
Mining	120 997	1 402	122 399	1 850	120 549	1 109	718	1 827
Beverage, tobacco and food	373 366	12 092	385 458	37 313	348 145	12 331	4 390	16 721
Textiles and clothing	97 986	8 071	106 057	35 329	70 728	11 667	1 594	13 261
Leather and related products	22 788	564	23 352	972	22 380	479	211	690
Wood and cork	131 269	6 034	137 303	76 156	61 147	1 969	1 491	3 460
Pulp, paper and cardboard and graphic arts	206 773	5 176	211 949	110 285	101 664	4 115	1 458	5 573
Coke, refined petroleum products and fuel pellets	152 425		152 425	150 000	2 425		5	5
Chemicals, synthetic or artificial fibres, except pharmaceutical products	88 332	387	88 719	45 266	43 453	59	320	379
Base pharmaceutical products and pharmaceutical mixtures	62 821		62 821		62 821		295	295
Rubber and plastic materials	90 973	772	91 745	985	90 760	438	860	1 298
Other mineral non-metallic products	261 617	2 806	264 423	151 965	112 458	5 541	1 843	7 384
Metalworking industries	200 700	7 227	207 927	10 246	197 681	4 732	4 517	9 249
Computers, electronic, electrical and optical equipment	96 825	2 954	99 779	5 762	94 017	2 744	1 258	4 002
Transport equipment	48 146	1 447	49 593	3 697	45 896	1 323	674	1 997
Other manufacturing industries	49 356	6 504	55 860	6 177	49 683	3 767	1 799	5 566
Electricity, gas and water	839 994	743	840 737	273 115	567 622	3 102	289	3 391
Water treatment and collection	364 986	7 461	372 447	88 403	284 044	7 927	641	8 568
Construction	508 414	179 268	687 682	322 903	364 779	140 895	16 983	157 878
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 614 275	93 384	1 707 659	469 909	1 237 750	57 319	36 381	93 700
Transport and storage	1 188 739	64 141	1 252 880	243 708	1 009 172	105 318	4 595	109 913
Restaurants and hotels	336 037	62 947	398 984	112 317	286 667	24 050	5 754	29 804
Information and communication activities	327 664	6 940	334 604	207 486	127 118	22 055	2 200	24 255
Financial intermediation, except for insurance and pension funds	694 589	36 456	731 045	339 216	391 829	29 662	2 146	31 808
Insurance, reinsurance and pension funds, except for mandatory social security	78		78		78			
Auxiliary activities to financial services and insurance	120 546	159	120 705	55	120 650	11	169	180
Real estate	382 108	23 485	405 593	73 407	332 186	13 119	5 081	18 200
Consulting, scientific, technical and similar activities	300 481	16 171	316 652	133 100	183 552	13 543	3 950	17 493
Administrative and support services	289 111	8 476	297 587	73 923	223 664	8 306	3 450	11 756
Public administration, defence and mandatory social security	1 237 019	119	1 237 138	108 983	1 128 155		9	9
Education	30 952	1 136	32 088	2 791	29 297	511	773	1 284
Healthcare and welfare	195 828	2 092	197 920	3 431	194 489	399	1 928	2 327
Leisure, cultural and sports activities	39 277	14 533	53 810	29 749	24 061	7 103	760	7 863
Other service companies	312 008	3 132	315 140	269 874	45 266	10 320	1 548	11 868
Companies without CAE code (Business Activity Classification – "Classificação das Actividades Económicas")	961	194	1 155		1 155		168	168
Individuals	12 245 720	371 041	12 616 761	22 770	12 593 991	8 495	300 746	309 242
Housing loans	11 059 803	318 631	11 378 434	519	11 377 915	261	245 614	245 875
Others	1 185 917	52 410	1 238 327	22 251	1 216 076	8 234	55 133	63 367
	23 292 414	**979 939**	**24 272 353**	**3 483 217**	**20 789 136**	**545 635**	**413 160**	**958 795**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

At 31 December 2014 the amount of exposure and impairment of Loans and advances to international Customers assessed individually and collectively, by business sector, was made up as follows:

	Performing loans	Overdue loans	Exposure[1]	Impairment
INTERNATIONAL ACTIVITY				
Corporates	1 454 521	56 180	1 510 701	53 457
Agriculture, animal production and hunting	66 236	2 360	68 596	3 121
Mining	16 450	1 139	17 589	707
Other manufacturing industries	43 126	6 700	49 826	4 799
Electricity, gas and water	1 233		1 233	37
Construction	212 674	11 750	224 424	15 118
Wholesale and retail trade; motor vehicle and motorcycle repairs	150 999	29 004	180 003	22 184
Transport and storage	28 318	1 553	29 871	1 171
Restaurants and hotels	26 113	533	26 646	1 528
Auxiliary activities to financial services and insurance	1 904	11	1 915	67
Real estate	37 030	1 409	38 439	2 464
Public administration, defence and mandatory social security	851 033	461	851 494	783
Education	4 194	332	4 526	215
Healthcare and welfare	5 143	1	5 144	155
Leisure, cultural and sports activities	361	3	364	11
Other services and activities	9 707	924	10 631	1 097
Individuals	381 439	7 574	389 013	24 409
Housing loans	71 109	1 258	72 367	10 908
Others	310 330	6 316	316 646	13 501
	1 835 960	**63 754**	**1 899 714**	**77 866**

1) Excludes accrued interest and deferred interest, correction of the amount of hedged assets and commission relating to amortized cost.

Loans are made up as follows by country:

	Performing loans	Overdue loans	Exposure[1]	from which:		Individual impairment	Colective impairment	Total impairment
				Assessed individually	Assessed colectivelly			
DOMESTIC ACTIVITY								
Portugal	19 286 400	795 909	20 082 310	1 040 151	19 042 157	357 957	407 116	765 074
Spain	1 163 593	169 971	1 333 563	351 449	982 114	155 078	2 661	157 739
Angola	263 984	54	264 038		264 038		267	267
Netherlands	133 252	1	133 254		133 254		476	476
Others	445 044	14 003	459 047	91 478	367 569	21 360	2 639	23 999
INTERNATIONAL ACTIVITY (ANGOLA)	1 835 960	63 754	1 899 714	-	-	-	-	77 866
	23 128 233	**1 043 693**	**24 171 927**	**1 483 078**	**20 789 132**	**534 395**	**413 160**	**1 025 422**

1) Does not include 2 005 739 th. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance.

At 31 December 2014 the mortgage loans to individual Customers, by year of production, granted by Banco BPI (non-consolidated) was made up as follows:

Year of production	Number of operations	Amount	Impairment recorded
2004 or previous	95 610	3 192 303	87 679
2005	14 591	729 272	19 692
2006	18 963	1 073 326	27 277
2007	26 291	1 530 085	38 944
2008	22 719	1 369 392	26 159
2009	14 739	1 011 781	17 119
2010	16 216	1 198 726	19 385
2011	5 504	383 066	5 374
2012	4 460	281 420	1 863
2013	4 676	278 125	1 336
2014	4 888	295 110	1 007
	228 657	**11 342 606**	**245 835**

The caption SECURITIES at 31 December 2014 is made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
SECURITIES				
Debt Instruments				
Issued by Portuguese entities				
Portuguese public debt				
REPUBLICA DE PORTUGAL 3.75% – 29.01.2018	50 000 000	50 000	50 807	
REPUBLICA PORTUGUESA – TV – 03.11.2015	50 000 000	49 983	50 226	
		99 983	**101 033**	
Other residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	79 508 858	79 509	79 509	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		79 559	**79 559**	
Other bonds				
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	50 000 000	44 547	50 008	
AUTO-SUECO – 2013 / 2018	30 000 000	30 000	30 778	
BA GLASS I-SERV.GEST.INV.-TV-22.12.15	5 000 000	5 000	5 005	
BANCO INTERNAC CRED(CI)-6.09%-27.07.2015	753 000	765	784	
BRISA – 4.5% – 05.12.2016	8 200 000	8 060	8 086	
BRISA-CONCESSAO ROD.SA-TV-07.06.2020	60 000 000	59 357	59 536	
CAIXA GERAL DE DEPóSITOS 5.625%-04.12.15	17 700 000	17 727	17 800	
CAIXA GERAL DE DEPOSITOS-8%-28.09.2015	12 400 000	12 567	12 823	
CELBI CELULOSE BEIRA IND.-TV(08.02.2015)	53 500 000	53 355	53 754	
CELBI CELULOSE BEIRA IND.-TV-16.04.2020	50 000 000	50 000	50 389	
CGD-3.75%-18.01.2018	9 000 000	8 979	9 300	
CIN – 2014/2019	15 000 000	15 000	15 018	
COLEP PORTUGAL SA-TV-10.10.2017	9 000 000	9 000	9 064	
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 202	
EDIA-EMP.DES.DO ALQUEVA – TV-11.08.2030	19 250 000	19 250	19 474	
EDP FINANCE BV-4.75%-26.09.2016	12 275 000	12 326	12 479	
EDP-ENERGIAS DE PORTUGAL-6%-04.05.2015	1 171 000	1 184	1 195	
EFANOR INVESTIMENTOS SGPS SA-2014/2019	15 000 000	15 000	15 205	
GALP 2013/2018	150 000 000	150 000	151 310	
GRUPO PESTANA 2014/2020	46 000 000	46 000	46 156	
GRUPO VISABEIRA SGPS-TV-14.07.2019	5 000 000	5 000	5 100	
JMR – 2012 / 2015	175 000 000	175 000	175 236	
JMR – 2012 / 2015	25 000 000	25 000	25 034	
SEMAPA TV (20.04.2016)[2]	7 650 000	7 644	7 668	
MEDIA CAPITAL 2014-2019	50 000 000	50 000	51 016	
MOTA-ENGIL SGPS-TV-30.12.2016	10 000 000	10 000	10 002	
POLIMAIA / 1989 – SR.C (AC.CRED.)	7			
REN-REDES ENERG.NAC.-6.25%-21.09.2016	1 224 000	1 308	1 329	

1) Additionally, the Bank recorded collective impairment of 3 814 th. euro.
2) Securities reclassified from the caption FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS in 2012, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
Other bonds (cont.)				
REN-REDES ENERG.NAC.-TV-16.01.2020	100 000 000	100 000	101 020	
SECIL – 2013/2016	40 000 000	40 000	40 164	
SECIL – 2013/2018	40 000 000	40 000	40 192	
SEMAPA 2014/2019[3]	28 487 000	28 545	28 749	
SEMAPA 2014/2020	41 500 000	41 500	41 664	
SEMAPA-6.85%-30.03.2015	673 000	679	691	
SONAE CAPITAL SGPS – TV – 17.01.2016	10 000 000	10 000	10 217	
SONAE DISTRIBUIÇAO SETEMBRO – 2007/2015	20 000 000	20 000	20 046	
ZON MULTIMEDIA 2012-2015	318 000	326	326	
ZON OPTIMUS 2014-2019	100 000 000	99 779	100 159	
		1 229 078	**1 242 979**	
Commercial Paper			834 925	7 720
			834 925	**7 720**
Non-subordinated debt				
Bonds				
BANIF – TAX.VAR. (30.12.2015)[2]	11 800 000	11 800	11 800	3 239
			11 800	**3 239**
Issued by others non-residents				
Non-subordinated debt				
Bonds				
Asset Backed Securities (ABS's)				
HSBC BRAZIL-SR.2006-A-15.04.2016	3 809 401	3 580	3 776	
RED & BLACK PRIME RUS-S07-1 CA-01.19.35	454 325	454	455	
SARATOGA CLO I LTD-SR.2006-1X-CL-A2-2019	8 236 554	8 237	8 250	
SARATOGA CLO I LTD-SR.2006-1X-CL-B-2019	2 470 966	2 471	2 478	
		14 742	**14 959**	
Other bonds				
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 952	16 458	
BBVA SENIOR FINANCE SA-TV-14.09.2015	65 000 000	64 846	65 269	
BPE FINANCIACIONES SA-4%-17.07.2015	14 800 000	14 791	15 062	
BPE FINANCIACIONES, S.A.-TV 2017.02.13	49 000 000	49 000	49 128	
CAIXABANK-3.25%-22.01.2016	14 800 000	14 783	15 235	
EDDYSTONE FIN.SR2006-1 CLA1B 19.04.2021[3]	332 209	255	255	
EDP FINANCE BV – 3.75% (22.06.2015)	2 349 000	2 358	2 404	
EDP FINANCE BV-3.25%-16.03.2015	12 982 000	12 983	13 319	
EDP FINANCE BV-4.625% (13.06.2016)	6 903 000	6 980	7 156	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 529	80 683	
EDP FINANCE BV-5.875%-01.02.2016	22 228 000	22 663	23 855	
EDP FINANCE BV-TV 26.06.2019	78 247 261	69 822	78 257	
EIRLES THREE LTD(SERIES 297)-31.12.2021	6 285 382	5 552	5 552	
ENEL FINANCE INTL SA-4%-14.09.2016	6 700 000	6 796	6 875	
EURO-VIP / 1990[4]	4 941 932	4 398	4 450	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 970	7 019	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 976	7 033	
REPSOL SA-4.25%-12.02.2016	6 800 000	6 848	7 103	
SANTANDER INTL DEBT SA-TV-28.09.2015	40 000 000	40 000	40 005	
TELECOM ITALIA SPA 8.25% – 21.03.2016	6 100 000	6 370	6 763	
TELEFONICA EMISIONES-4.375% (02.02.2016)	5 100 000	5 086	5 289	
UNICREDIT SPA 4.375% 11.09.2015	4 700 000	4 721	4 783	
		447 679	**461 953**	
Subordinated debt				
Bonds				
B.FINANTIA INTL LTD-CAY-TV.(04.05.2015)[2]	3 500 000	3 500	3 513	1 750
BANCO FINANTIA INTL LTD-TV-26.07.2017[2]	8 500 000	8 500	8 536	4 250
BANCO FINANTIA INTL-TV. (28.07.2016)[2]	4 000 000	4 000	4 017	2 000
ESPIRITO SANTO INVST PLC-TV.(20.12.2015)[2]	4 500 000	4 500	4 501	
		20 500	**20 567**	**8 000**
			2 767 775	**18 959**

1) Additionally, the Bank recorded collective impairment of 3 814 th. euro.
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).
3) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING in 2009, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.49).
4) Securities reclassified from the caption FINANCIAL ASSETS AVAILABLE FOR SALE in 2013 (notes 2 and 4.49).

Evidence of possible impairment of the Asset Backed Securities (ABSs) portfolio is determined through regular monitoring of the performance indicators of the underlying transactions. At 31 December 2014 this did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	1 186	24 457
Bonds issued by foreign government entities	59 994	59 965
Bonds issued by other foreign entities		
Non-subordinated debt	25 252	49 980
Subordinated debt	1 900	1 900
Accrued interest	50	575
	88 382	**136 877**

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

At 31 December 2014 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment
SECURITIES				
Debt instruments				
Issued by others residents				
Non-subordinated debt				
Bonds				
SEMAPA – TV (20.04.2016)[2]	1 200 000	1 186	1 190	
		1 186	**1 910**	
Issued by non-residents				
Issued by foreign government entities				
Bonds				
BONOS Y OBLIG DEL ESTADO-TV-17.03.2015	60 000 000	59 994	60 005	
		59 994	**60 005**	
Issued by other non resident entities				
Non-subordinated debt				
Bonds				
BANCA CARIGE SPA-TV-07.06.2016[2]	1 000 000	1 000	1 001	
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018[1]	6 000 000	6 000	6 011	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019[1]	8 400 000	8 400	8 415	
ING GROEP NV-TV. (11.04.2016)[1]	3 900 000	3 852	3 854	
ROYAL BANK OF SCOTLAND-TV-08.06.2015[1]	5 500 000	5 500	5 503	
ROYAL BANK OF SCOTLAND-TV-08.06.2015[2]	500 000	500	500	
		25 252	**25 284**	
Subordinated debt				
Bonds				
CAM INTERNATIONAL-TV-26.04.2017[2]	1 900 000	1 900	1 903	
		1 900	**1 903**	
		88 332	**88 382**	

1) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING under the amendments to IAS 39 and IFRS 7, in 2008 (notes 2 and 4.49)
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING under the amendments to IAS 39 and IFRS 7, in 2009 (notes 2 and 4.49).

4.9. Non-current assets held for sale

This caption is made up as follows:

	31 Dec. 14
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	
Gross	20 136
Impaiment	(8 532)
	11 604

In 2014 the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A. was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE, as the requirements for this classification referred to in IFRS 5 – Non-current assets held for sale were met, namely the existence of negotiations to sell this investment.

The changes in impairment losses and provisions in 2014 and 2013 are shown in note 4.22.

4.10. Investment properties

The caption INVESTMENT PROPERTIES refers to properties held by the fund Imofomento – Fundo de Investimento Imobiliário Aberto which is consolidated in accordance with the full consolidation method, in accordance with the accounting policy explained in note 2.5.

At 31 December 2014 the real estate classified as investment properties and related gains and losses were as follows:

	Number of fractions	Area (m^2)	Acquisition cost	Book value / fair value	Unrealised gains (losses)
Leasehold real estate assets					
Alverca E.N. 110 Km 127.6 – Lote B	1	344	233	303	70
Armazéns Vialonga Alfarrobeira	2	7 800	8 284	6 579	(1 705)
Av. Combatentes Grande Guerra 102 – Coimbra	2	168	274	291	17
Av. das Descobertas n.º 21 – Lisboa	1	1 334	4 000	3 903	(97)
Av. das Descobertas n.º 23 – Lisboa	1	1 132	3 998	4 249	251
Av. Liberdade 245-Lisboa	6	427	867	987	120
Av. Liberdade n.º 160 – Lisboa	1	2 133	6 390	6 227	(163)
Av. Luís Bivar n.º 93 – Lisboa	1	205	424	431	7
Avenida 5 Outubro 206 – Edif. Nina – Lisboa	1	3 844	9 105	10 752	1 646
Avenida Antonio Augusto Aguiar n.º 128 – Lisboa	1	2 648	4 915	6 709	1 794
C. Comercial Vasco da Gama Lisboa	1	15 210	42 645	44 862	2 217
Edif. Península Praça Bom Sucesso 105 / 169 – Porto	21	2 979	7 444	6 929	(515)
Estrada Marginal – Parque Oceano Sto. Amaro Oeiras	26	2 387	3 059	3 696	636
Loja Quinta do Lago – Algarve	1	627	1 905	1 881	(24)
Qta Pinheiro – Lote 2 – Edif. Monsanto – Carnaxide	2	352	541	450	(91)
Quinta da Arrogela	5	9 707	6 223	5 828	(395)
Quinta da Francelha Edif. Sagres – Prior Velho	6	633	784	676	(108)
R. Alfredo da Silva 8 A – Alfragide	2	1 872	1 832	1 162	(670)
Rua Cesario Verde Lote E – Cascais	1	1 803	3 493	3 319	(175)
Rua da Saudade 132 – Porto	2	127	133	142	9
Rua General Ferreira Martins – 8 – Miraflores	16	1 095	1 459	1 016	(443)
Rua O Primeiro de Janeiro – Estadio Bessa	2	4 668	13 200	8 144	(5 056)
Rua Padre Americo – 18 A e 18 G – Telheiras	1	198	294	443	149
Rua Soeiro Pereira Gomes Lote 1 – Lisboa	6	328	491	587	97
Urb. Pimenta Rendeiro Lote 210 – Massamá	1	300	684	722	38
Urbanização dos Areeiros Lote 8 – S. João da Talha	1	285	228	325	97
Vale de Lobo – Algarve	1	894	2 63	2 562	(69)
			125 538	**123 176**	**(2 362)**
Non-leased real estate assets					
Avenida da Liberdade 38 – Edif. Libersil – Lisboa	10	1 352	1 936	2 556	621
Edif. Península Praça Bom Sucesso 105 / 169 – Porto	39	1 886	6 231	4 985	(1 246)
Estrada Marginal – Parque Oceano Sto. Amaro Oeiras	45	787	629	890	261
Qta Pinheiro – Lote 2 – Edif. Monsanto – Carnaxide	8	2 203	3 505	2 798	(707)
Quinta da Arrogela	5	9 739	7 387	5 836	(1 552)
Quinta da Francelha Edif. Sagres – Prior Velho	20	1 752	2 052	1 806	(246)
R. Alfredo da Silva 8 A – Alfragide	16	1 749	2 467	1 880	(587)
R. Alfredo Silva 8-Piso 1 Corpo B Urb. Qta. Grande Alfragide	1	324	335	298	(37)
R. Combatentes Grande Guerra – 150 a 168 – Gondomar	2	857	745	583	(162)
Rua da Saudade 132 – Porto	32	2 229	2 580	2 343	(237)
Rua General Ferreira Martins – 8 Miraflores	22	1 797	2 376	1 611	(765)
Rua General Ferreira Martins 10 – Miraflores	2	437	579	472	(107)
Rua O Primeiro de Janeiro – Estádio Bessa	5	1 305	1 545	1 937	392
Rua Soeiro Pereira Gomes Lote 1 – Lisboa	46	2 290	3 366	3 607	241
			35 734	**31 601**	**(4 133)**
			161 272	**154 777**	**(6 495)**

The changes in this caption in 2014 and 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Opening balance (31 December)		
Acquisition cost	168 088	170 222
Revaluations	(3 139)	(615)
Net value	164 949	169 607
Acquisitions	508	13
Sales and rebates		
Acquisition cost	(7 324)	(2 147)
Reavaluations	(577)	
Reavaluations	(2 779)	(2 524)
Closing balance (31 December)		
Acquisition cost	161 272	168 088
Reavaluations	(6 495)	(3 139)
Net value	**154 777**	**164 949**

The impact of the fair value revaluation of the investment properties is recorded in the statement of income caption OPERATING INCOME AND EXPENSES (note 4.42).

4.11. Other tangible assets

The changes in other tangible assets in 2014 were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec. 13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14	Balance at 31 Dec.13 Proforma	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14	Balance at 31 Dec.14	Balance at 31 Dec.13 Proforma
Property														
Property for own use	138 126	1 355	(248)	2 335	7 347	148 915	28 082	2 651		(14)	857	31 576	117 339	110 044
Other property	104		(91)			13	36		(34)			2	11	68
Leasehold improvements	110 139	527	(2 730)	2 678	3 070	113 684	96 484	2 538	(2 391)	(214)	2 128	98 545	15 139	13 655
	248 369	**1 882**	**(3 069)**	**5 013**	**10 417**	**262 612**	**124 602**	**5 189**	**(2 425)**	**(228)**	**2 985**	**130 123**	**132 489**	**123 767**
Equipment														
Furniture and fixtures	52 820	979	(3 503)	51	918	51 265	45 141	1 791	(3 450)	(3)	489	43 968	7 297	7 679
Machinery and tools	14 056	899	(1 218)	2	303	14 042	12 447	574	(1 210)	(13)	199	11 997	2 045	1 609
Computer hardware	185 432	6 369	(12 554)	2 688	2 080	184 015	175 381	6 513	(12 541)	7	1 681	171 041	12 974	10 051
Interior installations	155 561	1 502	(17 003)	513	646	141 219	121 952	7 921	(15 296)	(44)	306	114 839	26 380	33 609
Vehicles	11 722	1 529	(1 166)	46	767	12 898	8 327	2 031	(1 111)	138	576	9 961	2 937	3 395
Security equipment	26 907	733	(523)	81	369	27 567	23 363	1 001	(514)	(212)	188	23 826	3 741	3 544
Other equipment	583	3	(21)		36	601	139	6	(19)	(1)	3	128	473	444
	447 081	**12 014**	**(35 988)**	**3 381**	**5 119**	**431 607**	**386 750**	**19 837**	**(34 141)**	**(128)**	**3 442**	**375 760**	**55 847**	**60 331**
Tangible assets in progress	10 674	12 004		(9 548)	410	13 540							13 540	10 674
Other tangible assets	12 570	10	(413)	(36)		12 131	10 005	179	(374)	(42)		9 768	2 363	2 565
	23 244	**12 014**	**(413)**	**(9 584)**	**410**	**25 671**	**10 005**	**179**	**(374)**	**(42)**		**9 768**	**15 903**	**13 239**
	718 694	**25 910**	**(39 470)**	**(1 190)**	**15 946**	**719 890**	**521 357**	**25 205**	**(36 940)**	**(398)**	**6 427**	**515 651**	**204 239**	**197 337**

The changes in other tangible assets in 2013 were as follows:

	Gross						Depreciation						Net	
	Balance at 31 Dec.12	**Purchases**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at 31 Dec.13 Proforma**	**Balance at 31 Dec.12 Proforma**	**Depreciation for the year**	**Sales and write-offs**	**Transfers and others**	**Foreign exchange differences**	**Balance at 31 Dec.13 Proforma**	**Balance at 31 Dec.13 Proforma**	**Balance at 31 Dec.12 Proforma**
Property														
Property for own use	136 800	598	(142)	6 846	(5 976)	138 126	26 172	2 578	(40)		(628)	28 082	110 044	110 628
Other property	104					104	35	1				36	68	69
Leasehold improvements	112 360	661	(1 729)	1 457	(2 610)	110 139	97 543	2 403	(1 544)	(164)	(1 754)	96 484	13 655	14 817
	249 264	**1 259**	**(1 871)**	**8 303**	**(8 586)**	**248 369**	**123 750**	**4 982**	**(1 584)**	**(164)**	**(2 382)**	**124 602**	**123 767**	**125 514**
Equipment														
Furniture and fixtures	52 835	1 043	(367)	95	(786)	52 820	44 001	1 880	(360)		(380)	45 141	7 679	8 834
Machinery and tools	14 203	554	(438)	(16)	(247)	14 056	12 405	630	(436)		(152)	12 447	1 609	1 798
Computer hardware	187 920	6 856	(8 929)	1 158	(1 573)	185 432	178 735	6 833	(8 907)		(1 280)	175 381	10 051	9 185
Interior installations	160 475	1 512	(6 923)	1 015	(518)	155 561	116 553	10 002	(4 374)	9	(238)	121 952	33 609	43 922
Vehicles	10 758	1 981	(606)	215	(626)	11 722	7 301	2 012	(554)		(432)	8 327	3 395	3 457
Security equipment	27 692	719	(263)	(952)	(289)	26 907	22 704	1 056	(248)		(149)	23 363	3 544	4 988
Other equipment	620	3		(9)	(31)	583	133	7			(1)	139	444	487
	454 503	**12 668**	**(17 526)**	**1 506**	**(4 070)**	**447 081**	**381 832**	**22 420**	**(14 879)**	**9**	**(2 632)**	**386 750**	**60 331**	**72 671**
Tangible assets in progress	9 624	11 721		(10 330)	(341)	10 674							10 674	9 624
Other tangible assets	12 991	6	(427)			12 570	10 111	235	(341)			10 005	2 565	2 880
	22 615	**11 727**	**(427)**	**(10 330)**	**(341)**	**23 244**	**10 111**	**235**	**(341)**			**10 005**	**13 239**	**12 504**
	726 382	**25 654**	**(19 824)**	**(521)**	**(12 997)**	**718 694**	**515 693**	**27 637**	**(16 804)**	**(155)**	**(5 014)**	**521 357**	**197 337**	**210 689**

4.12. Intangible assets

The changes in intangible assets in 2014 were as follows:

	Gross						Amortization					Net	
	Balance at 31 Dec.13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.14	Balance at 31 Dec.13 Proforma	Amortiza-tion for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec.14	Balance at 31 Dec.14	Balance at 31 Dec.13 Proforma
Software	71 044	2 540	(15)	11 149	510	85 228	62 581	5 554	(15)	344	68 464	16 764	8 463
Other intangible assets	28 735		(2 484)		107	26 358	26 063	11	(2 484)	107	23 697	2 661	2 672
	99 779	**2 540**	**(2 499)**	**11 149**	**617**	**111 586**	**88 644**	**5 565**	**(2 499)**	**451**	**92 161**	**19 425**	**11 135**
Intangible assets in progress	8 014	8 649		(11 205)		5 458						5 458	8 014
	107 793	**11 189**	**(2 499)**	**(56)**	**617**	**117 044**	**88 644**	**5 565**	**(2 499)**	**451**	**92 161**	**24 883**	**19 149**

The changes in intangible assets in 2013 were as follows:

	Gross						Amortization					Net	
	Balance at 31 Dec.12 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec.13 Proforma	Balance at 31 Dec.12 Proforma	Amortiza-tion for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec.13 Proforma	Balance at 31 Dec.13 Proforma	Balance at 31 Dec.12 Proforma
Software	65 116	1 869	(20)	4 430	(351)	71 044	59 089	3 727	(20)	(215)	62 581	8 463	6 027
Other intangible assets	30 144		(1 317)		(92)	28 735	27 460	12	(1 317)	(92)	26 063	2 672	2 684
	95 260	**1 869**	**(1 337)**	**4 430**	**(443)**	**99 779**	**86 549**	**3 739**	**(1 337)**	**(307)**	**88 644**	**11 135**	**8 711**
Intangible assets in progress	5 306	7 848		(5 140)		8 014						8 014	5 306
	100 566	**9 717**	**(1 337)**	**(710)**	**(443)**	**107 793**	**86 549**	**3 739**	**(1 337)**	**(307)**	**88 644**	**19 149**	**14 017**

4.13. Investments in associated companies and jointly controlled entities

Investments in associated companies and jointly controlled entities, recorded in accordance with the equity method, are as follows:

	Effective participation (%)		Book value	
	31 Dec. 14	31 Dec. 13 Proforma	31 Dec. 14	31 Dec. 13 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	54 776	44 967
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	93 572	95 875
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	29 909	27 935
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		32.8		20 507
Inter-Risco – Sociedade de Capital de Risco, S.A.	49.0	49.0	881	669
Unicre – Instituição Financeira de Crédito, S.A.	21.0	21.0	33 842	32 039
			212 980	**221 992**

In 2014 the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A. was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE, as the requirements for this classification included in IFRS 5 – Non-current assets held for sale were met, namely the existence of negotiations to sell this investment.

During 2014 and 2013 the BPI Group received the following dividends from associated companies:

	31 Dec. 14	31 Dec. 13 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	1 879	2 404
Companhia de Seguros Allianz Portugal, S.A.	24 667	
Cosec – Companhia de Seguros de Crédito, S.A.	3 904	2 481
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		4 262
Inter-Risco – Sociedade de Capital de Risco, S.A.		310
Unicre – Instituição Financeira de Crédito, S.A.	1 135	962
	31 585	**10 419**

In some of the associated companies, Banco BPI is party to shareholder agreements that contain, among others, rules on the composition of the governing bodies and on the transfer of shares of such companies.

None of the associated companies of the BPI Group are listed on the stock exchange.

4.14. Tax assets

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13
Current tax assets		
Corporate income tax recoverable	8 670	20 234
Others	2 028	2 003
	10 698	**22 237**
Deferred tax assets		
Due to temporary differences	309 001	430 568
Due to tax losses carried forward	102 832	86 887
	411 833	**517 455**
	422 531	**539 692**

Details of deferred tax assets are presented in note 4.45.

4.15. Other assets

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Debtors, other applications and other assets		
Debtors for future operations	12 279	11 609
Collateral accounts	3 000	5 289
Other aplications	10 798	12 592
VAT recoverable	2 228	173
Debtors for loan interest subsidy receivable	4 438	5 429
Other debtors	75 277	88 491
Overdue debtors and other applications	385	571
Impairment on overdue debtors and other applications	(1 449)	(983)
Other assets		
Gold	53	51
Other available funds and other assets	364	807
	107 373	124 029
Tangible assets available for sale	166 758	174 361
Impairment	(29 390)	(35 781)
	137 368	138 580
Accrued income		
For irrevocable commitments assumed in relation to third parties	276	263
For banking services rendered to third parties	2 624	2 279
Other accrued income	28 496	31 551
	31 396	34 093
Deferred expenses		
Insurance	21	14
Rent	3 524	3 456
Other deferred expenses	8 813	8 459
	12 358	11 929
Liability for pensions and other benefits (note 4.28)		
Pension fund asset value		
Pensioners and Employees		1 129 067
Directors		35 262
Past service liabilities		
Pensioners and Employees		(1 082 369)
Directors		(39 137)
Others		(1 143)
		41 680
Other accounts		
Foreign exchange transactions pending settlement	43 378	
Stock exchange transactions pending settlement	5 265	6 837
Operations on assets pending settlement	347 648	354 523
	396 291	**361 360**
	684 786	**711 671**

The caption OTHER APPLICATIONS at 31 December 2014 and 2013 includes 3 170 th. euro and 7 404 th. euro, respectively, relating to collateral pledged in guarantee under derivative transactions relating to bonds issued through Sagres – Sociedade de Titularização de Créditos, S.A.

The caption OTHER DEBTORS at 31 December 2014 and 2013 includes 53 538 th. euro and 72 511 th. euro relating to instalments receivable from the sale in 2008 of 49.9% of the share capital of Banco de Fomento Angola, S.A. The selling price was 365 671 th. euro, part of the proceeds from the sale being paid in eight annual instalments, from 2009 to 2016, plus compensation due to monetary correction.

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in 2014 were as follows:

	Balance at 31 Dec. 13 Proforma			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Foreign exchange diferences	Balance at 31 Dec. 14		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	168 251	(33 214)	135 037	41 702	(48 962)	8 233	(2 385)	226	161 217	(27 366)	133 851
Equipment	2 129	(1 308)	821	1 640	(2 783)	558	51	20	1 006	(699)	307
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	3 920	(1 198)	2 722	554			(66)		4 474	(1 264)	3 210
	174 361	**(35 781)**	**138 580**	**43 896**	**(51 745)**	**8 791**	**(2 400)**	**246**	**166 758**	**(29 390)**	**137 368**

The caption SALES AND WRITE-OFFS includes the gross amount of 9 706 th. euros and impairment of 3 792 th. euros relating to the contribution in kind of a property to the Banco BPI Pension Fund. The contribution amounted to 4 995 th. euros (note 4.28).

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in 2013 were as follows:

	Balance at 31 Dec. 12 Proforma			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Foreign exchange diferences	Balance at 31 Dec. 13 Proforma		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	162 320	(63 418)	98 902	48 204	(42 198)	12 065	18 139	(75)	168 251	(33 214)	135 037
Equipment	2 701	(1 025)	1 676	3 312	(3 877)	288	(571)	(7)	2 129	(1 308)	821
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	4 315	(203)	4 112		(395)	197	(1 192)		3 920	(1 198)	2 722
	169 397	**(64 707)**	**104 690**	**51 516**	**(46 470)**	**12 550**	**16 376**	**(82)**	**174 361**	**(35 781)**	**138 580**

In the second half of 2013, following Bank of Portugal Circular 11 / 2013 / DSP of 20 September (*Carta Circular No. 11 / 2013 / DSP*), the BPI Group updated the appraisals of all the properties acquired in settlement of its loans. In this process, the BPI Group determined an excess impairment of 29 726 th. euro in relation to the criteria adopted up to that date and made the respective reversal in the fourth quarter of 2013.

The properties received in settlement of defaulting loans at 31 December 2014 were made up as follows, by type of property:

Assets	No. of properties	Fair value	Book value
Land	**55**	**9 324**	**7 846**
Urban	30	7 817	6 522
Rural	25	1 508	1 324
Buildings	**1 449**	**152 461**	**125 545**
Business	265	22 919	19 783
Housing	975	88 707	70 919
Others[1]	209	40 835	34 844
Total	**1 509**	**162 356**	**133 851**

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

At 31 December 2013 the properties received in settlement of defaulting loans were made up as follows, by type of property:

Assets	No. of properties	Fair value	Book value
Land	**50**	**6 811**	**5 244**
Urban	25	5 924	4 514
Rural	25	887	730
Buildings	**1 372**	**155 710**	**129 793**
Business	260	23 695	20 129
Housing	904	80 717	65 713
Others[1]	208	51 298	43 951
Total	**1 422**	**162 521**	**135 037**

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

At 31 December 2014 the properties received in settlement of defaulting loans were made up as follows, by age:

Time since the settlement / execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Book value
Land	**4 633**	**298**	**522**	**2 393**	**7 846**
Urban	4 037	266	164	2 055	6 522
Rural	597	32	357	338	1 324
Buildings	**31 585**	**42 459**	**41 668**	**9 833**	**125 545**
Business	1 855	8 752	6 762	2 414	19 783
Housing	25 256	25 056	15 405	5 203	70 919
Others[1]	4 474	8 652	19 501	2 216	34 844
Total	**36 368**	**43 067**	**42 189**	**12 226**	**133 851**

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

The caption OTHER ACCRUED INCOME at 31 December 2014 and 2013 includes 19 200 th. euro and 19 380 th. euro, respectively, relating to accrued commission from participation on the results of insurance products (notes 2.16 and 4.40).

At 31 December 2014 and 2013 the caption PAST SERVICE LIABILITIES – OTHERS corresponded to the liability of Banco de Fomento Angola in accordance with Law 18 / 90 of Angola, regarding the Angola Social Security system, which defines that retirement pensions must be granted to all Angolan Employees enrolled in the Social Security.

The caption STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2014 and 2013 refers to the sale of securities only settled in the following month.

At 31 December 2014 and 2013 the balance of the caption ASSET OPERATIONS PENDING ADJUSTMENT includes:

- 236 831 th. euro and 282 640 th. euro, respectively, relating to securitisation operations carried out by the BPI Group (notes 4.7 and 4.21), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 28 201 th. euro and 32 576 th. euro, respectively, relating to taxes to be settled, of which 6 962 th. euro and 8 631 th. euro, respectively, relate to taxes in litigation, paid under Decree-Law 248-A / 02 of 14 November. The balance at 31 December 2014 and 2013 also includes 19 916 th. euro and 19 921 th. euro, respectively, relating to taxes in litigation paid under Decree-Law 151-A / 13 of 31 October;
- 7 422 th. euro and 9 669 th. euro, respectively, relating to housing loans pending settlement;
- 50 401 th. euro at 31 December 2014 relating to contributions to the Pension Fund made in the first quarter of 2015;
- 18 432 th. euro on 31 December 2013 relating to transfers under SEPA (*Single Euro Payments Area*).

The changes in impairment losses and provisions in 2014 and 2013 are shown in note 4.22.

4.16. Resources of central banks

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Resources of the Bank of Portugal		
Deposits	1 545 301	4 073 961
Accrued interest	15 883	55 501
Resources of other central banks		
Deposits	1	10 579
Accrued interest		27
	1 561 185	**4 140 068**

In 2014 and in 2013 Banco BPI took funds from the EuroSystem, using part of its portfolio of eligible assets for this purpose (note 4.34).

4.17. Financial liabilities held for trading

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Short selling		
Debt instruments		
Bonds issued by foreign government entities	799	
Derivative instruments with negative fair value (note 4.4)	325 986	255 245
	326 785	**255 245**

4.18. Resources of other credit institutions

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Resources of Portuguese credit institutions		
Deposits	308 662	152 118
Loans	52	
Other resources	4 948	6 061
Accrued interest	953	699
	314 615	**158 878**
Resources of foreign credit institutions		
Deposits of international financial organisations	708 649	163 332
Very short term resources	228	924
Deposits	172 731	159 683
Debt securities sold with repurchase agreements	81 399	865 667
Other resources	78 319	96 201
Accrued interest	1 238	1 195
	1 042 564	**1 287 002**
Correction of the amount of hedged liabilities	15 262	7 444
Commission relating to amortised cost		(75)
	1 372 441	**1 453 249**

The balance of the caption DEBT SECURITIES SOLD WITH REPURCHASE AGREEMENTS is made up essentially of money market repurchase operations, used for liquidity management purposes.

4.19. Resources of Customers and other debts

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Demand deposits	10 188 124	8 048 451
Term deposits	16 241 371	16 371 658
Savings deposits	78 718	117 349
Compulsory deposits	8 564	6 795
Cheques and orders payable	60 582	60 662
Debt securities sold with repurchase agreement	94 260	106 798
Other resources of Customers	44 989	50 015
Minority interests in investment funds		
BPI Alternative Fund (Lux)	83 547	18 923
BPI Obrigações Mundiais	14 459	6 678
BPI Strategies	13 635	12 992
Imofomento	83 323	102 749
Capitalisation insurance products – Unit links	904 401	430 206
Capitalisation insurance products – Guaranteed Rate and Guaranteed Retirement	53 941	85 782
Accrued interest	218 038	185 445
	28 087 952	**25 604 503**
Correction of the amount of hedged liabilities	46 665	25 973
Commission relating to amortized cost (net)		(3)
	28 134 617	**25 630 473**

The caption RESOURCES OF CUSTOMERS at 31 December 2014 included 295 276 th. euro and 192 794 th. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (205 652 th. euro and 153 918 th. euro, respectively, at 31 December 2013).

4.20. Debt securities

This caption is made up as follows:

	31 Dec. 14				31 Dec. 13 Proforma			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Commercial paper								
EUR	16 335		16 335	1.2%				
	16 335		**16 335**					
Covered bonds								
EUR	4 325 000	(2 837 000)	1 488 000	1.5%	4 325 000	(2 805 600)	1 519 400	1.6%
	4 325 000	**(2 837 000)**	**1 488 000**		**4 325 000**	**(2 805 600)**	**1 519 400**	
Fixed rate cash bonds								
EUR	500 826	(76 965)	423 861	3.4%	842 580	(201 091)	641 489	4.2%
USD					11 333	(2 871)	8 462	3.4%
JPY					27 640		27 640	2.5%
	500 826	**(76 965)**	**423 861**		**881 553**	**(203 962)**	**677 591**	
Variable rate cash bonds								
EUR	30 000	(15 928)	14 072	1.4%	142 000	(42 000)	100 000	0.9%
	30 000	**(15 928)**	**14 072**		**142 000**	**(42 000)**	**100 000**	
Variable income cash bonds								
EUR	245 390	(42 270)	203 120		295 866	(87 127)	208 739	
USD	74 603	(11 263)	63 340		31 343	(8 513)	22 830	
	319 993	**(53 533)**	**266 460**		**327 209**	**(95 640)**	**231 569**	
	5 192 154	**(2 983 426)**	**2 208 728**		**5 675 762**	**(3 147 202)**	**2 528 560**	
Accrued interest			28 993				33 430	
Correction of the amount of hedged liabilities			9 438				45 031	
Premiums and commission (net)			(9 085)				(8 566)	
			29 346				**69 895**	
			2 238 074				**2 598 455**	

The average interest rates mentioned in the preceding table were calculated based on the interest rate of each issue in relation to the nominal value of the bonds. It is not possible to calculate the rate for the Variable Income Bonds as the income is only known when it is due.

As part of its medium and long term funding plan, the BPI Group issues cash bonds. Some of the bonds are issued under the Euro Medium Term Notes (EMTN) program.

The maximum amount for issues under the EMTN program is 10 000 000 000 euro.

Cash bonds can only be issued by institutions under the Bank of Portugal's supervision. They are an instrument currently used by the BPI Group to provide investment solutions for its Customers, as an alternative to term deposits.

Bonds issued, being cash bonds or bonds issued under the EMTN program, can be issued in different currencies.

In 2008 the BPI Group set up two covered bond issue programs (mortgage bonds and bonds over the public sector), under Decree-Law 59 / 2006. Under these programs the BPI Group made three issues of mortgage bonds in 2009, four issues of mortgage bonds and one issue of bonds over the public sector in 2010, two issues of mortgage bonds in 2011 and one issue of mortgage bonds in 2012.

In accordance with this law, the holders of the mortgage bonds benefit from a special credit privilege over the autonomous assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

The mortgage bonds program was set up for up to a maximum of 7 000 000 000 euro.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits with financial institutions with ratings equal to or greater than "A-" and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- the total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;

- the average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;

- the total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;

- the net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve;

- the credit institutions' risk exposure, except for positions with residual maturity less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At 31 December 2014 the amount of mortgage bonds issued by the BPI Group was 3 925 000 000 euro, split into 8 issues as follows:

	OH – Series 5	**OH – Series 7**	**OH – Series 8**	**OH – Series 9**
Issue date	28-05-2009	15-01-2010	12-02-2010	21-05-2010
Nominal amount	EUR 175 000 000	EUR 1 000 000 000	EUR 200 000 000	EUR 350 000 000
ISIN	PTBB1XOE0006	PTBB5JOE0000	PTBB5WOE0003	PTBBP6OE0023
Maturity date	28-05-2016	15-01-2015	12-02-2017	21-05-2025
Rating (Moody's / S&P / Fitch)	Aaa / - / -	Aaa / AAA / AAA	Aaa / - / -	Aaa / - / -
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Annual	Quarterly	Quarterly
Coupon	Euribor 3 m + 1.20%	3.25%	Euribor 3 m + 0.84%	Euribor 3 m + 0.65%
Repurchases	-	EUR 237 000 000	-	EUR 350 000 000

	OH – Series 10	**OH – Series 11**	**OH – Series 12**	**OH – Series 13**
Issue date	05-08-2010	25-01-2011	25-08-2011	20-07-2012
Nominal amount	EUR 600 000 000	EUR 200 000 000	EUR 600 000 000	EUR 800 000 000
ISIN	PTBBQQOE0024	PTBBPMOE0029	PTBBWAOE0024	PTBBR3OE0030
Maturity date	05-08-2020	25-01-2018	25-08-2021	20-07-2017
Rating (Moody's / S&P / Fitch)	- / - / AAA	Aa1 / AA / AA+	A3 / A+ / A-	Baa3 / A- / -
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly	Quarterly	Quarterly
Coupon	Euribor 3 m + 0.65%	Euribor 3 m + 4.60%	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%
Repurchases	EUR 600 000 000	-	EUR 600 000 000	EUR 800 000 000

At 31 December 2014 and 2013, the cover pool allocated to the mortgage bonds amounted to 5 825 542 th. euro and 5 805 856 th. euro, respectively, of which 5 772 866 th. euro and 5 729 852 th. euro corresponded to mortgage loans (note 4.7).

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euro.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool. Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At 31 December 2014 BPI Group held two outstanding issues of bonds over the public sector amounting to 400 000 000 euro, as follows:

	OSP – Series 1	OSP – Series 2
Issue date	17-07-2008	30-09-2010
Nominal amount	EUR 150 000 000	EUR 250 000 000
ISIN	PTBP14OE0006	PTBBRHOE0024
Maturity date	15-06-2016	30-09-2017
Rating (Moody's / S&P / Fitch)	- / AAA / -	- / A / -
Reimbursement	At maturity	At maturity
Interest payment frequency	Quarterly	Quarterly
Coupon	Euribor 3 m - 0.004%	Euribor 3 m + 0.4%
Repurchases	-	EUR 250 000 000

At 31 December 2014 and 2013 the cover pool allocated to bonds over the public sector amounted to 693 532 th. euro and 679 696 th. euro, respectively, of which 672 417 th. euro and 673 149 th. euro corresponded to loans (note 4.7).

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- fixed rate – bonds issued on which the BPI Group is committed to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;

- variable rate – bonds issued on which the BPI Group is committed to pay income calculated based on a specified interest rate index published by an outside source (market);

- variable income – bonds issued for which the return is not known, or certain, at the issue date, and can be subject to changes depending on the evolution of certain underlying assets (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in 2014 were as follows:

	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2013		1 519 400	677 591	100 000	231 569	2 528 560
Bonds issued during the year	16 335		155 557	30 000	208 237	410 129
Bonds redeemed			(536 284)	(142 000)	(218 727)	(897 011)
Repurchases (net of resales)		(31 400)	126 997	26 072	43 264	164 933
Exchange difference					2 117	2 117
Balance at 31 December 2014	**16 335**	**1 488 000**	**423 861**	**14 072**	**266 460**	**2 208 728**

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

	Deposit certificates	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2012	9	19 889	1 572 400	1 512 486	115 444	438 675	3 658 903
Bonds issued during the year				86 685		108 648	195 333
Bonds redeemed	(9)	(19 889)		(1 059 255)	(77 579)	(506 207)	(1 662 939)
Repurchases (net of resales)			(53 000)	145 660	62 135	190 726	345 521
Exchange difference				(7 985)		(273)	(8 258)
Balance at 31 December 2013			**1 519 400**	**677 591**	**100 000**	**231 569**	**2 528 560**

Bonds issued by the BPI Group at 31 December 2014, by maturity date, are as follows:

	Maturity				
	2015	**2016**	**2017-2020**	**> 2020**	**Total**
Commercial paper					
EUR	16 335				16 335
	16 335				**16 335**
Covered bonds					
EUR	763 000	325 000	400 000		1 488 000
	763 000	**325 000**	**400 000**		**1 488 000**
Fixed rate bonds					
EUR	141 365	254 564	7 932	20 000	423 861
	141 365	**254 564**	**7 932**	**20 000**	**423 861**
Variable rate bonds					
EUR		14 072			14 072
		14 072			**14 072**
Variable income bonds					
EUR	24 282	30 371	148 467		203 120
USD	11 503	10 881	40 956		63 340
	35 785	**41 252**	**189 423**		**266 460**
Total	**956 485**	**634 888**	**597 355**	**20 000**	**2 208 728**

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

	Maturity					
	2014	2015	2016	2017-2020	> 2020	Total
Covered bonds						
EUR		794 400	325 000	400 000		1 519 400
		794 400	**325 000**	**400 000**		**1 519 400**
Fixed rate bonds						
EUR	364 879	146 191	109 999	420	20 000	641 489
USD	8 462					8 462
JPY					27 640	27 640
	373 341	**146 191**	**109 999**	**420**	**47 640**	**677 591**
Variable rate bonds						
EUR	100 000					100 000
	100 000					**100 000**
Variable income bonds						
EUR	118 203	14 122	75 784	630		208 739
USD		5 989	16 841			22 830
	118 203	**20 111**	**92 625**	**630**		**231 569**
Total	**591 544**	**960 702**	**527 624**	**401 050**	**47 640**	**2 528 560**

4.21. Financial liabilities relating to transferred assets

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Liabilities relating to assets not derecognised in securitisation operations (note 4.7)		
Loans		
Housing loans	4 530 686	4 787 212
Loans to SME's	3 373 700	3 339 300
Liabilities held by the BPI Group	(6 856 024)	(6 738 114)
Accrued costs	1 479	1 457
Commission relating to amortised cost (net)	(2 110)	(2 559)
	1 047 731	**1 387 296**

Banco BPI launched securitisation operations, the main features of which are summarised in the tables below. These were issued through Sagres – Sociedade de Titularização de Créditos S.A.

The bonds issued by securitisation vehicles and held by BPI Group entities were eliminated in the consolidation process.

On 11 February 2011, Banco BPI launched its second small and medium companies securitisation operation, in the amount of 3 472 400 th. euro, under the name of Douro SME Series 2. The operation was issued through Sagres – Sociedade de Titularização de Créditos S.A. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Fitch / DBRS)	Guarantee	Spread / Fixed rate
Class A Notes	1 819 400	2.89	A+ / A	Without guarantee	0.15%
Class B Notes	1 317 500	5.58	n/r	Without guarantee	n/a
Class D Notes	236 800	5.58	n/r	Without guarantee	Residual interest
Total of the issues	**3 373 700**				
Liabilities held by BPI Group	(3 373 700)				
Total					

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

On 24 November 2005, Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 th. euro, under the name of DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
Class A Notes	377 049	5.76	Baa2 / A- / A+	0.28%
Class B Notes	7 978	5.76	B1 / BBB- / A	0.34%
Class C Notes	7 253	5.76	B2 / BB- / BBB	0.54%
Class D Notes	6 044	5.76	B3 / B / BB	0.94%
Class E Notes	6 373	5.76	nr / nr / nr	Residual interest
Total of the issues	**404 697**			
Other funds	3			
Liabilities held by BPI Group	(98 999)			
Total	**305 701**			

On 28 September 2006, Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
Class A1 Notes	5 194	7.09	A3 / A- / A	0.05%
Class A2 Notes	524 965	7.09	Baa2 / A- / A	0.14%
Class B Notes	12 949	7.09	B2 / BB / BBB	0.17%
Class C Notes	8 399	7.09	B3 / B / BB	0.23%
Class D Notes	6 650	7.09	Caa1 / B- / B	0.48%
Class E Notes	6 698	7.09	nr / nr / nr	Residual interest
Total of the issues	**564 855**			
Liabilities held by BPI Group	(356 304)			
Total	**208 551**			

1) Until the date of the call option (April 2015); after this date, if the option is not exercised, the spread doubles.

On 31 July 2007, Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 th. euro under the name of DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
Class A Notes	784 590	8.30	Baa3 / BBB- / BBB+	0.16%
Class B Notes	20 116	8.30	nr / B / BB+	0.17%
Class C Notes	11 961	8.30	nr / B- / BB	0.23%
Class D Notes	10 330	8.30	nr / B- / B	0.48%
Class F Notes	1 251	8.30	nr / nr / nr	Residual interest
Total of the issues	**828 248**			
Liabilities held by BPI Group	(294 138)			
Total	**534 110**			

1) Until the date of the call option (August 2016); after this date, if the option is not exercised, the spread is multiplied by 1.5.

In December 2008, Banco BPI launched a new series of housing loan securitisation operations in the amount of 1 522 500 th. euro under the name of DOURO Mortgages No. 4, which were settled financially in January 2009. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (S&P, DBRS)	Spread
▪ Class A Notes	1 091 069	7.85	A- / AA	0.15%
▪ Class B Notes	202 500	21.72	nr / nr	0.20%
▪ Class C Notes	45 000	23.74	nr / nr	0.25%
▪ Class D Notes	22 500	23.74	nr / nr	Residual interest
Total of the issues	**1 361 069**			
Liabilities held by BPI Group	(1 361 069)			
Total				

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

On 6 August 2010, Banco BPI launched its fifth housing loan securitisation operation in the amount of 1 421 000 th. euro under the name of DOURO Mortgages No. 5. The operation was issued in 3 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (S&P, DBRS)	Spread
▪ Class A Notes	1 049 814	8.21	A / AA	0.20%
▪ Class B Notes	301 000	23.49	nr / nr	
▪ Class C Notes	21 000	23.49	nr / nr	Residual interest
Total of the issues	**1 371 814**			
Liabilities held by BPI Group	(1 371 814)			
Total				

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

4.22. Provisions and impairment losses

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

	Balance at 31 Dec. 13 Proforma	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 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	227 925	(15 335)	(114 646)	6 782	1 036 661
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	1 635			(590)		1 045
Equity instruments	46 105	687		(516)	99	46 375
Other securitites	18 188	25 157				43 345
Loans and other receivables	20 743	616				21 359
Impairment losses on non-current assets held for sale (note 4.9)		8 532				8 532
Impairment losses on other assets (note 4.15)						
Tangible assets held for sale	35 781	3 375	(975)	(8 791)		29 390
Debtors, other applications and other assets	983	1 980	(1 059)	(464)	9	1 449
Impairment losses and provisions for guarantees and commitments	46 766	2 696	(11 800)		897	38 559
Other provisions	77 271	14 107	(6 719)	(14 947)	(938)	68 774
	1 179 409	**285 075**	**(35 888)**	**(139 954)**	**6 849**	**1 295 491**

Utilisation of impairment losses on loans and advances to Customers in 2014 corresponds to credit write-offs, of which 25 333 th. euro relates to loans sold.

The increase in impairment losses on loans and advances in 2014 includes 10 295 th. euro relating to the operations of BPI Vida, that was included under caption TECHNICAL RESULT OF INSURANCE CONTRACTS (note 4.39).

The increase in impairment losses on other securities available for sale refers to impairment recorded in participating units of Venture Capital Funds, of which 12 747 th. euro are allocated to "Fundo de Recuperação" (note 4.5).

The impairment of non-current assets held for sale corresponds to impairment recorded on the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A, which corresponds to the difference between the book value of the investment and its valuation in the ongoing negotiation process for the sale of the investment (note 4.9).

In 2014, the increases net of decreases of impairment losses on debtors, other applications and other assets and of other provisions include, respectively, 433 th. euro and 3 th. euro relating to Imofomento's operations. In the statement of income, these impairment losses were included under caption NET OPERATING INCOME (note 4.42).

The changes in the Group's provisions and impairment losses in 2013 were as follows:

	Balance at 31 Dec. 12 Proforma	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 13 Proforma
Impairment losses on loans and advances to credit institutions (note 4.6)	952		(538)	(394)	(18)	2
Impairment losses on loans and advances to Customers (note 4.7)	783 157	281 339	(6 514)	(121 999)	(4 048)	931 935
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	2 588	21	(996)	(1 013)	1 035	1 635
Equity instruments	46 089	214		(165)	(33)	46 105
Other securitites	15 068	3 120				18 188
Loans and other receivables	19 976	1 832		(31)	(1 034)	20 743
Impairment losses on other assets (note 4.15)						
Tangible assets held for sale	64 707	20 724	(37 100)	(12 550)		35 781
Debtors, other applications and other assets	1 317	448	(782)			983
Impairment losses and provisions for guarantees and commitments	48 106		(1 234)		(106)	46 766
Other provisions	90 392	7 526	(6 588)	(11 143)	(2 916)	77 271
	1 072 352	**315 224**	**(53 752)**	**(147 295)**	**(7 120)**	**1 179 409**

Utilisation of impairment losses on loans and advances to Customers in 2013 corresponds to credit write-offs.

The increase in impairment losses on loans and advances in 2013 includes 943 th. euro relating to the operations of BPI Vida, that was included under caption TECHNICAL RESULT OF INSURANCE CONTRACTS (note 4.39).

The increases net of decreases of impairment losses on debtors, other applications and other assets and of other provisions in 2013 include (244) th. euro and 154 th. euro, respectively, relating to Imofomento's operations. In the statement of income, these impairment losses were included under caption NET OPERATING INCOME (note 4.42).

4.23. Technical provisions

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Immediate Life Annuity / Individual	4	5
Immediate Life Annuity / Group	24	26
Family Savings	9	26
BPI New Family Savings	2 565 208	1 481 043
BPI Retirement Guaranteed	162 608	143 920
BPI Retirement Savings	1 016 746	892 927
BPI Non Resident Savings	399 520	162 780
Planor	5 430	5 333
PPR BBI Life	2 193	2 542
Savings Investment Plan / Youths	25	1 080
South PPR	61	86
	4 151 830	**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 counter-insurance with participation in results		
Group	Interest rate	4% and 0%
	Mortality table	PF 60 / 64, TV 73-77 and GRF 80

The technical provisions also include a provision for rate commitments, which is recorded when the effective profitability of the assets that represent the mathematical provisions of a determined product is lower than the technical interest rate used to calculate the mathematical provisions.

The BPI New Family Savings, BPI Retirement Savings PPR and BPI Non Resident Savings are capitalisation products with guaranteed capital and participation in the results.

4.24. Tax liabilities

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Current tax liability		
Corporate income tax payable	12 343	19 532
Other	259	202
	12 602	**19 734**
Deferred tax liability		
On temporary differences	30 028	37 977
	30 028	**37 977**
	42 630	**57 711**

Details of the deferred tax liability are presented in note 4.45.

4.25. Contingent convertible subordinated bonds

In the first half of 2014 Banco BPI repaid the total amount of the contingent convertible subordinated bonds issued on 29 June 2012 under the Recapitalisation Plan.

At 31 December 2013 this caption was made up as follows:

	31 Dec. 13 Proforma			
	Issued	Repurchased	Balance	Average interest rate
Contingent convertible subordinated bonds				
EUR	1 200 000	(280 000)	920 000	8.8%
	1 200 000	**(280 000)**	**920 000**	
Accrued interest			433	
			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 (note 4.50).

The Recapitalisation Plan, in the amount of 1 500 000 th. euro, included:

- a share capital increase of 200 000 th. euro, with shareholders' pre-emptive rights;
- the issuance of debt instruments eligible for own funds, subscribed for by the Portuguese State, in the amount of 1 300 000 th. euro.

On 29 June 2012 the Portuguese State subscribed for debt instruments eligible for Core Tier 1 own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 th. euro. The features of these instruments were defined in Law 63-A / 2008 of 24 November, as republished by Law 4 / 2012 of 11 January (Bank Recapitalisation Law), in Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012 of the Portuguese Minister of State and Finance of 28 June 2012. The investment period of the instrument is five years as from the date of issue, and the Recapitalisation Plan of the Bank established partial repayments over the period of the instrument. On 10 August 2012 the Bank completed the capital increase of 200 000 th. euro, with shareholders' preemptive rights (note 4.28). The amount received was used in 13 August 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 th. euro. Since that date the Bank has fully repaid the contingent convertible subordinated bonds, as follows:

- 100 000 th. euro on 4 December 2012;
- 200 000 th. euro on 13 March 2013;
- 80 000 th. euro on 16 July 2013;
- 500 000 th. euro on 19 March 2014;
- 420 000 th. euro on 25 June 2014.

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

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

- termination of the term of 5 years without the instruments having been fully repurchased (under Section 8.5. of the Terms and Conditions);
- occurrence of an event qualified as a material breach under Section 8.3. of the Terms and Conditions;
- occurrence of the event defined in Section 9.1. of the Terms and Conditions (viability event);
- occurrence of the event defined in Section 10 of the Terms and Conditions (regulatory event – the instrument is no longer qualified as Core Tier 1) and the other alternatives provided for under this Section are not possible;
- occurrence of an event qualified as change in control under Section 9.2. of the Terms and Conditions;
- exclusion of Banco BPI shares from listing on a regulated market, under Section 9.2. of the Terms and Conditions.

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

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

4.26. Other Subordinated debt and participating bonds

This caption is made up as follows:

	31 Dec. 14				31 Dec. 13 Proforma			
	Issued	**Repurchased**	**Balance**	**Average interest rate**	**Issued**	**Repurchased**	**Balance**	**Average interest rate**
OTHER SUBORDINATED DEBT								
Perpetual bonds								
EUR	420 000	(360 000)	60 000	2.4%	420 000	(360 000)	60 000	2.5%
JPY					51 824	(51 824)		2.9%
	420 000	**(360 000)**	**60 000**		**471 824**	**(411 824)**	**60 000**	
Other bonds								
EUR	400 000	(391 293)	8 707	1.6%	400 000	(327 025)	72 975	1.8%
JPY					120 923	(120 923)		2.8%
	400 000	**(391 293)**	**8 707**		**520 923**	**(447 948)**	**72 975**	
	820 000	**(751 293)**	**68 707**		**992 747**	**(859 772)**	**132 975**	
PARTICIPATING BONDS								
EUR	28 081	(27 349)	732	0.7%	28 081	(24 285)	3 796	0.8%
	28 081	**(27 349)**	**732**		**28 081**	**(24 285)**	**3 796**	
Accrued interest			82				160	
			82				**160**	
			69 521				**136 931**	

In 2014 Banco BPI carried out an exchange operation of subordinated debt and participating bonds for Banco BPI shares. The nominal amount of subordinated debt bonds (non-perpetual) and participating bonds accepted for the exchange amounted to 63 286 th. euro and 2 932 th. euro, respectively (note 4.41).

The changes in debt issued by the BPI Group in 2014 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at 31 December 2013	60 000	72 975	3 796	136 771
Bonds redeemed	(51 824)	(120 923)		(172 747)
Repurchases (net of resales)	51 824	56 655	(3 064)	105 415
Balance at 31 December 2014	60 000	8 707	732	69 439

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

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at 31 December 2012	60 000	91 963	4 119	156 082
Bonds redeemed		(4 200)		(4 200)
Repurchases (net of resales)		(14 788)	(323)	(15 111)
Balance at 31 December 2013	60 000	72 975	3 796	136 771

Perpetual and other bonds issued by the BPI Group at 31 December 2014 are made up as follows, by residual term to maturity:

	Maturity				
	2015	2016	2017-2020	> 2020	Total
Perpetual bonds					
EUR[1]	60 000				60 000
Other bonds					
EUR			8 707		8 707
Total	**60 000**		**8 707**		**68 707**

1) In September 2012 the call option was not exercised, so these bonds now have a quarterly call option. In September 2012 the remuneration had a step-up due to the fact that the option was not exercised.

Perpetual and other bonds issued by the BPI Group at 31 December 2013 are made up as follows, by residual term to maturity:

	Maturity					
	2014	2015	2016	2017-2020	> 2020	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.

4.27. Other liabilities

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Creditors and other resources		
Creditors for futures operations	10 787	9 927
Consigned resources	16 170	18 672
Captive account resources	7 884	7 088
Subscription account resources		199
Guarantee account resources	11 528	10 665
State administrative sector		
Value Added Tax (VAT) payable	335	3 869
Tax withheld at source	20 615	21 170
Social Security contributions	4 758	4 696
Other	1 008	547
Contributions to other health systems	1 439	1 410
Creditors for factoring contracts	30 687	19 859
Creditors for the supply of assets	5 851	7 553
Contributions owed to the Pension Fund		
Pensioners and Employees	47 008	2 853
Directors	3 393	2 805
Other creditors	104 497	141 382
Deferred costs	(60)	(89)
	265 900	**252 606**
Liability for pensions and other benefits (note 4.28)		
Pension fund asset value		
Pensioners and Employees	(1 201 648)	
Directors	(39 098)	
Past service liabilities		
Pensioners and Employees	1 278 394	
Directors	43 744	
Others	1 605	
	82 997	
Accrued costs		
Creditors and other resources	173	226
Personnel costs	92 309	103 928
General administrative costs	45 025	37 928
Contributions to the Deposit Guarantee Fund	143	
Others	5 038	2 433
	142 688	**144 515**
Deferred income		
On guarantees given and other contingent liabilities	3 861	4 637
Others	6 082	4 963
	9 943	**9 600**
Deferred expenses		
Other liabilities	(1 290)	
	(1 290)	
Other accounts		
Foreign exchange transactions pending settlement		6 539
Securities operations pending settlement – non stock exchange operations	24 341	3 247
Liabilities pending settlement	76 831	100 697
Other operations pending settlement	102 426	73 855
	203 598	**184 338**
	703 836	**591 059**

The caption OTHER CREDITORS at 31 December 2014 and 2013 includes 80 980 th. euro and 103 296 th. euro, respectively, relating to unrealized subscribed capital in Venture Capital Funds:

	31 Dec. 14	31 Dec. 13 Proforma
Fundo de Recuperação, FCR	19 779	33 089
Fundo InterRisco II CI	22 762	25 828
Fundo InterRisco II – Fundo de Capital de Risco	15 189	18 127
FCR – Fundo Revitalizar	10 182	16 000
Fundo de Reestruturação Empresarial, FCR	1 594	2 785
Other funds	11 474	7 467
	80 980	**103 296**

At 31 December 2014 and 2013 the caption ACCRUED COSTS – PERSONNEL COSTS included 30 030 th. euro and 25 173 th. euro, respectively, relating to long service premiums.

The main actuarial and financial assumptions used to calculate the long service premium liability are as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years TV 88 / 90-W – 3 years	TV 73 / 77-M – 2 years TV 88 / 90-W – 3 years
Financial assumptions:		
Discount rate		
Beginning of the year	4.00%	4.50%
End of the year	2.50%	4.00%
Salary growth rate[2]		
Beginning of the year	1.50%	1.50%
End of the year	1.00%	1.50%
Mandatory promotions due to antiquity and seniority	0.50%	0.50%

1) It was considered a 2 years greater than the mortality table used for the male popopulation and 3 years for the female population.
2) Estimated salary evolution, given the mandatory promotions due to antiquity and the seniority payments, were considered by the Bank in the pensionable salary growth rate used to calculate the pension liability. Thus, the pensionable salary growth rate was adjusted accordingly.

The changes in the long service premium liability in 2014 and in 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Long service premiums at the beginning of the year	25 173	21 188
Personnel costs:		
Current service cost	2 348	2 282
Interest cost	1 035	1 042
Actuarial gains and losses		
Changes in assumptions	2 891	1 323
Others	(720)	(79)
Long service premium payments	(697)	(583)
Long service premiums at the end of the year	**30 030**	**25 173**

The caption NON STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT at 31 December 2014 and 2013 refers to the acquisition of securities only settled in the following month.

The caption LIABILITIES PENDING SETTLEMENT, at 31 December 2014 and 2013 includes:

- 33 161 th. euro and 43 310 th. euro, respectively, relating to loan securitization fund transactions;
- 201 th. euro and 2 572 th. euro, respectively, relating to electronic interbank transfer transactions;
- 3 183 th. euro and 12 240 th. euro, respectively, relating to ATM / POS transactions to be settled with SIBS.

The caption OTHER OPERATIONS PENDING SETTLEMENT, at 31 December 2014 and 2013 includes:

- 95 021 th. euro and 84 796 th. euro, respectively, relating to transfers under SEPA (*Single Euro Payments Área*);
- 727 th. euro and 2 430 th. euro, respectively, relating to the settlement of payments and receipts of Leasing / ALD / Factoring operations.

4.28. Liability for pensions and other benefits

The past service liability relating to pensioners and personnel that are, or have been, Employees of BPI Group companies[1], and are covered by pension Funds, is calculated in accordance with IAS 19.

Benefits established by the BPI Group are defined benefits based on the last salary earned and the length of service, involving the payment of benefits in the event of retirement due to length of service or disability, death and long service premiums. The rules for calculating the benefits result mainly from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector, there being a restricted group of management Employees, however, that is also covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law 1-A / 2011 of 3 January, all the bank Employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime, as from 1 January 2011, being covered by this regime as regards old age pensions and in the case of maternity, paternity and adoption leave, the cost of which the Bank will no longer cover. Given the complementary nature of the rules under the Collective Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho do Sector Bancário), the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of the past service liability remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única) of 23.6%.

Incapacity and survivor pensions and sickness subsidy of these Employees will continue to be the Bank's responsibility.

Decree-Law 127 / 2011 of 31 December establishes the transfer to the Social Security of the liability for costs of the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pilar 1), as well as transfer to the Portuguese State of the corresponding pension fund assets covering those liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution on the retirement and survivor pensions for the Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pensions due to the family of current retired Employees, in which the conditions for granting the pensions occurred as from 1 January 2012.

The value of the pension fund assets transferred to the Portuguese State corresponds to the value of the liabilities undertaken by Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables under the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73 / 77 less 1 year; female population: TV 88 / 90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of the calculation of the definitive amount of the liability transferred, made by an independent expert entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, extinguishing the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI in the amount of 99 652 th. euro was recorded in 2011 in the statement of income caption OPERATING GAINS AND LOSSES, as established in paragraph 110 of IAS 19.

As a result of the final determination of the liability transferred to the Portuguese State and the corresponding total and definitive transmission of the Pension Funds' assets, differences in relation to the provisional amounts at the end of 2011 were determined, of which 1 542 t. relates to the amount of the liability and 1 688 th. euro to the value of the fund. The positive difference between these amounts, totalling 145 th. euro, was recorded in 2012 in the caption OPERATING GAINS AND LOSSES.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liability, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liability due to age, and the "Single Successive Premiums" method was used to calculate the cost of the incapacity and survivor benefits.

1) Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões).

The BPI Vida e Pensões pension plan was changed in accordance with the new Collective Labour Agreement (Contrato Colectivo de Trabalho – CCT) for the Portuguese Insurance Sector, signed in December 2011, and published in Labour and Employment Bulletin (Boletim do Trabalho e Emprego), n. 2, of 15 January 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at 31 December 2011, relating to retirement pensions of current Employees, hired up to 22 June 1995, which was covered by clause 51, item 4 of the Collective Labour Agreement (the consolidated text of which was published in Labour and Employment Bulletin, n. 32, of 29 August 2008), that was fully funded, was converted into individual accounts of the Employees in 2012. This change does not apply to the pension liability under payment relating to Employees that at 31 December 2011 were retired or pre-retired.

The commitments assumed in the regulations of the Banco BPI Pension Plans are funded by Pension Funds and so Banco BPI is exposed to risks resulting from the valuation of the liability and the value of the related pension funds.

As regards determination of the liability, Banco BPI is exposed to adverse changes in interest rates and credit spreads, since the discount rate used to determine the liability results from the income of corporate bonds with AA ratings and so includes exposure to the risk-free yields and credit spreads. In addition to the risks inherent in the discount of the future liabilities, there is exposure to the long-term inflation and mortality rates. Any change in these rates could affect positively or negatively the amount of liabilities payable by Banco BPI.

In the case of financial assets included in the Pension Fund assets, there is exposure of the equity component to market risk, the bond component to interest rate risk and credit risk, as well as currency risk. In the case of real estate assets, the main risks result from the nature of the composition of the portfolio, quality and diversification of the assets and from factors inherent in economic developments and government policies for the sector.

The investment policy was defined taking into account a long-term strategy, with an allocation of assets that includes shares, bonds, real estate and short-term investments. This strategy ensures suitability to the type of liability and also contributes to the appropriate diversification of investments through the long-term expectation of different returns and volatilities of the different asset classes.

The main actuarial assumptions used to calculate the pension liability are as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	TV 73 / 77-M – 2 years
	TV 88 / 90-W – 3 years	TV 88 / 90-W – 3 years
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate of Banco BPI		
Beginning of the year	4.00%[2]	4.50%[3]
End of the year	2.50%[4]	4.00%[2]
Discount rate of the other companies		
Beginning of the year	4.00%	4.50%
End of the year	2.50%	4.00%
Pensionable salary increase rate[5]	1.00%	1.50%
Pension increase rate	0.50%	1.00%

1) The life expectancy considered was 2 years greater than the mortality table used, for the male population and 3 years for the female population.
2) A discount rate of 4.33% for current Employees and 3.50% for pensioners was considered, which is similar to that which would be obtained if a single discount rate of 4.0% were used for the entire population.
3) A discount rate of 4.83% for current Employees and 4.00% for pensioners which is similar to that which would be obtained if a single discount rate of 4.5% were used for the entire population.
4) A discount rate of 2.83% for current Employees and 2.00% for pensioners which would be obtained if a single discount rate of 2.5% were used for the entire population.
5) The mandatory promotions due to antiquity and the seniority payments were considered autonomously, directly in the evolution of the estimated salaries, and would be equivalent to a 0.5% growth rate.

The actual results obtained in relation to the main financial assumptions were:

	31 Dec. 14	31 Dec. 13 Proforma
Pensionable salary increase rate[1]	1.30%	1.60%
Pension increase rate[2]	0.00%	0.00%
Pension fund income rate		
Banco BPI	7.68%	16.44%
Other companies	5.98%	3.68%

1) Calculated based on the changes in pensionable salaries of Employees working for Group companies at the beginning and end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to antiquity and seniority payments and does not reflect new hires and exits).
2) Corresponds to the ACTV table update rate.

The following assumptions were used to calculate the amount of the social security pension which, under the provisions of the Collective Labour Agreement (ACT), must be deducted from the pension established in the ACT:

	31 Dec. 14	31 Dec. 13 Proforma
Salary increase rate for purposes of calculating the Social Security pension[1]	2.00%	2.50%
Salary revaluation rate for purposes of calculating the Social Security pension	1.00%	1.00%
Social Security pension increase rate	0.50%	1.00%

1) Pensionable salary for Social Security includes all wages, while the pensionable salary under ACT consists only to the portion of the level base salary and seniority payments, with an estimated evolution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

At 31 December 2014 and 2013 the number of pensioners and Employees covered by the pension plans funded by the pension funds was as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Retired pensioners	7 067	6 885
Survivor pensioners	1 288	1 301
Current Employees	5 732	6 033
Former Employees (clauses 137 A and 140 of the ACTV)	3 177	3 144
	17 264	**17 363**

The past service liability for pensioners and Employees of the BPI Group and respective coverage by the Pension Fund at 31 December 2014 and 2013 are as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Total past service liability		
Liability for pensions under payment	677 871	577 394
Of which: [increase in the liability resulting from early retirements during the period]	[42 460]	[8 679]
Past service liability of current and former Employees	600 523	504 975
	1 278 394	**1 082 369**
Net assets of the pension funds	1 201 648	1 129 067
Contributions to be transferred to the pension fund	47 008	2 853
Excess / (Insufficient) cover	(29 738)	49 551
Degree of coverage	98%	105%

The average duration of the pension liability of BPI Group Employees is 17.6 years, including both current Employees and pensioners.

On 31 December 2014 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 47 008 th. euro relating to the contribution for 2014 made in the first quarter of 2015, after which the degree of coverage of the liability at that date would be 98%.

On 31 December 2013 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 2 853 th. euro relating to the contribution for 2013 made in February 2014, after which the degree of coverage of the liability at that date would be 105%. Even without the above mentioned contribution the degree of coverage was already greater than 100%.

The degree of coverage of the liability complies with the rule defined in Bank of Portugal Notice 4 / 2005, which establishes the requirement of full funding of pensions in payment and a 95% minimum level of funding of the past service liability for current Employees.

Evolution of the degree of coverage of the liability in the last five years was as follows:

	31 Dec. 14	2013 Proforma	2012 Proforma	2011	2010 Proforma
Total past service liability	1 278 394	1 082 369	937 090	835 767	2 306 127
Net assets of the Pension Fund	1 201 648	1 129 067	986 874	801 250	2 409 393
Contributions to be transferred to the Pension Fund	47 008	2 853	500	37 888	1 375
Excess / (insufficient) cover	(29 738)	49 551	50 284	3 371	104 641
Degree of coverage	**98%**	**105%**	**105%**	**100%**	**105%**

The changes in the present value of the past service liabilities in 2014 and in 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Liability at the beginning of the year	1 082 369	937 090
Current cost:		
Of the BPI Group	(642)	(388)
Of the Employees	3 602	3 591
Interest cost	39 723	40 865
Actuarial (gain) and loss in the liability	134 665	118 341
Early retirements	42 460	8 679
Changes in the conditions of the Pension Plan – Death subsidy		(3 317)
Pensions payable (estimate)	(23 783)	(22 492)
Liability at the end of the year	**1 278 394**	**1 082 369**

In 2013 the legal framework of the death subsidy payable by the Social Security was again amended by Decree Law 13 / 2013 of 25 January in force as from 1 February which has reduced the maximum limit for death subsidies, from 6 to 3 times the IAS (social support index). Since the banking sector death subsidy is a cost of the banks, and in accordance with the Banking Sector Collective Labour Agreement it is calculated in accordance with Social Security legislation, Decree Law 13 / 2013 established a change in the conditions of the post-retirement benefit plan liability of Banco BPI. The impact of this change (3 317 th. euro) was fully recognised in the statement of income for the year in which the change occurred (note 4.43).

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2014 would result in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	(4.7%)	(59 741)
Decrease by 0.25%	5.0%	64 001
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	1.7%	22 209
Change in the pension increase rate[3]		
Increase by 0.25%	6.0%	77 084
Mortality table		
+1 year	3.3%	42 707

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only the assumptions under analysis varying.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension funds in 2014 and in 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Net assets of the pension fund at the beginning of the year	1 129 067	986 874
Current cost:		
Of the BPI Group	7 848	500
Of the Employees	3 602	3 591
Pension fund income (net)		
Income on Plan assets computed with the discount rate	41 834	45 170
Deviation of return on assets	44 594	114 986
Pensions paid by the pension fund	(25 297)	(22 054)
Net assets of the pension fund at the end of the year	**1 201 648**	**1 129 067**

The estimated contribution to the pension plan to be made in 2015 amounts to 3 730 th. euro.

At 31 December 2014 and 2013 the assets of the Banco BPI Employees' Pension Funds were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Liquidity	7.8%	4.1%
Fixed rate bonds		
Listed	14.6%	15.4%
Floating rate bonds		
Listed	15.2%	16.3%
Portuguese shares		
Listed	27.0%	27.2%
Not listed	4.1%	3.3%
Foreign shares		
Listed	3.1%	1.2%
Real Estate	27.2%	31.1%
Others		
Listed	1.0%	1.4%
	100.0%	**100.0%**

The contributions of the BPI Group to the pension funds in 2014 were made in property totalling 4 995 th. euro (note 4.15) and cash totalling 2 853 th. euro. In 2013, the contributions to the pension funds were made in cash.

The changes in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities in 2014 were as follows:

	31 Dec. 13 Proforma	Changes in fair value	Sales	31 Dec. 14
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Bonds	60 079	(7)		60 072
	60 079	**(7)**		**60 072**
Premises used by the BPI Group	208 757	(2 558)	3 048	203 151
	268 836	**(2 565)**	**3 048**	**263 223**

The changes in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities in 2013 were as follows:

	31 Dec. 12 Proforma	Changes in fair value	Sales	31 Dec. 13 Proforma
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Shares	7 499		7 499	
Bonds	60 077	2		60 079
	67 576	**2**	**7 499**	**60 079**
Premises used by the BPI Group	215 052	(6 295)		208 757
	282 628	**(6 293)**	**7 499**	**268 836**

As mentioned in note 2.8, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the net liability (asset) of the defined benefits relating to the pension plans and other post-employment benefits, directly in equity, in the Statement of comprehensive income, in the period in which they occur, including the actuarial gains and losses and deviations relating to the return on the pension fund assets.

The changes in actuarial deviations[1] from 2010 to 2014 were as follows:

Amount at 31 December 2009	**(206 678)**
Amortisation of deviations outside the corridor	568
Adjustment in the ACTV Table below the estimate	17 144
Deviation in pension fund income	(59 904)
Deviation in pensions paid	714
Deviation in mortality	(6 621)
Others	10
Amount at 31 December 2010 Proforma	**(254 767)**
Adjustment in the ACTV Table below the estimate	39 559
Change in the actuarial assumptions	181 228
Deviation in pension CGA[2]	16 370
Deviation in pension fund income	(300 665)
Deviation in pensions paid	(1 098)
Others	2 668
Amount at 31 December 2011	**(316 705)**
Of which:	
Deviation associated with the transferred liabilities	(193 538)
Deviation associated with the liabilities that remain with the Bank	(123 167)

Amount at 31 December 2011[3]	**(123 167)**
Adjustment in the ACTV Table below the estimate	26 181
Change in the actuarial assumptions	
Discount rate and pension increase rate	(98 212)
Others[4]	(9 026)
Deviation in pension fund income	113 349
Deviation in pensions paid	597
Others[5]	885
Amount at 31 December 2012 Proforma	**(89 393)**
Adjustment in the ACTV Table below the estimate	22 467
Change in the actuarial assumptions	
Discount rate and pension increase rate	(93 721)
Mortality table	(42 635)
Deviation in pension fund income	114 986
Deviation in pensions paid	441
Others	(4 452)
Amount at 31 December 2013 Proforma (note 4.32)	**(92 307)**
Adjustment in the ACTV Table below the estimate	18 305
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(149 225)
Others	(2 400)
Deviation in pension fund income	44 594
Deviation in pensions paid	(1 516)
Others	(1 345)
Amount at 31 December 2014 (note 4.32)	**(183 894)**

1) Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.
2) Change in the calculation and payment rules of CGA – Caixa Geral de Aposentações pensions, which had the effect of reducing the amount of pensions payable by the Bank relating to Employees for which years of service in the Public Sector were recognised.
3) Excluding deviations relating to transferred liabilities.
4) Includes 7 426 th. euro relating to deviations caused by changes in the salary growth calculating methodology.
5) Includes (25) th. euro relating to BPI Vida e Pensões.

The consolidated financial statements as of 31 December 2014 and 2013 include the following amounts relating to coverage of the pension liability, in the captions INTEREST, FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.41) and PERSONNEL COSTS (note 4.43):

	31 Dec. 14	31 Dec. 13 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	39 723	40 865
Income on Plan assets computed with the discount rate	(41 834)	(45 170)
	(2 111)	**(4 305)**
Personnel costs		
Current service cost	(642)	(388)
Increase in liability for early retirements[1]	29 683	21 207
Compensation due to early retirements[2]	2 772	2 114
Change in the pension plan conditions – Death subsidy		(3 317)
	31 813	**19 616**

1) In December 2013 includes 12 528 th. euros relating to the 87 early retirement program in 2014.
2) In December 2013 includes 1 209 th. euros relating to the program referred above in 2014.

The Members of the Executive Board of Banco BPI, S.A. and the remaining Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan. At 31 December 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Demographic assumptions:		
Mortality table[1]	TV 73 / 77-M – 2 years	TV 73 / 77-M – 2 years
	TV 88 / 90-W – 3 years	TV 88 / 90-W – 3 years
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the year	4.00%	4.50%
End of the year	2.50%	4.00%
Pensionable salary increase rate	0.50%	1.00%
Pension increase rate[2]	0.50%	1.00%

1) The life expectancy considered was 2 years greater than the mortality table used, for the male population and 3 years for the female population.
2) Increase equal to the variation of the Consumer Index Prices rate in accordante with the rules of the pension plan.

The actual results obtained in relation to the main financial assumptions were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Pensionable salary increase rate[1]	0.00%	0.00%
Pension increase rate[2]	0.30%	2.70%
Pension fund income rate	6.36%	3.95%

1) Calculated based on the changes in pensionable salaries of Directors serving in the Group companies in the beginning and end of the year.
2) Corresponds to the variation rate of the Consumer Price Index in accordance with the pension plan rules.

At 31 December 2014 and 2013 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Total past service liability		
Liability for pensions under payment	18 670	17 723
Past service liabilty relating to the current and former directors	25 074	21 414
	43 744	**39 137**
Net assets of the pension fund	39 098	35 262
Contributions to be transferred to the pension fund	3 393	2 805
Excess / (Insufficient) cover	(1 253)	(1 070)
Degree of coverage	97%	97%

The average duration of the pension liability of directors is 11.5 years, including both current directors and pensioners.

On 31 December 2014 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 3 393 th. euro relating to the contribution for 2014 made in the first quarter of 2015, after which the degree of coverage of the liability at that date was 97%, being assured the full funding of the liabilities for pensions under payment and the minimum level of funding of 95% of the past service liability of current Employees by Bank of Portugal Regulation 4 / 2005.

On 31 December 2013 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS TO THE PENSION FUND (note 4.27) the amount of 2 805 th. euro relating to the contribution for 2013 made in February 2014, after which the degree of coverage of the liability at that date was 97%, being assured the full funding of the liabilities for pensions under payment and the minimum level of funding of 95% of the past service liability of current Employees by Bank of Portugal Regulation 4 / 2005.

The changes in the degree of coverage of the liabilities in the last five years were as follows:

	31 Dec. 14	2013 Proforma	2012 Proforma	2011	2010 Proforma
Total past service liability	43 744	39 137	35 113	31 141	29 402
Net assets of the pension fund	39 098	35 262	32 638	28 335	29 477
Contributions to be transferred to the pension fund	3 393	2 805	2 475	2 806	
Excess / (insufficient) cover	(1 253)	(1 070)			75
Degree of coverage	**97%**	**97%**	**100%**	**100%**	**100%**

The changes in the present value of the past service liability of the plan in 2014 and 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Liability at the beginning of the year	39 137	35 113
Current service cost	1 752	1 544
Interest cost	1 548	1 640
Actuarial (gain) / loss in the liability	2 683	2 218
Pensions payable (estimate)	(1 376)	(1 378)
Liability at the end of the year	**43 744**	**39 137**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at 31 December 2014 would result in the following impact on the present value of the past service liability[1]:

	(decrease) / increase	
	by %	amount
Change in the discount rate		
Increase by 0.25%	(3.1%)	(1 353)
Decrease by 0.25%	3.2%	1 421
Change in the pensionable salary increase rate[2]		
Increase by 0.25%	0.8%	339
Change in the pension increase rate[3]		
Increase by 0.25%	2.9%	1 262
Mortality table		
+1 year	3.5%	1 511

1) The same calculation method and assumptions used in the calculation of the liabilities was used, only varying the assumptions under analysis.
2) The increase in the changes in pensionable salaries applies only to the pensionable salary pension scheme component provided for in the Collective Labour Agreement (ACT), without any change in the pensionable salary increase for Social Security purposes, since it is the maximum risk of the salary evolution component.
3) The change in the pension increase applies to pensions and supplements provided by the Bank, as well as pensions transferred to the Social Security, for which the Bank remains responsible for future updates.

The changes in the pension fund in 2014 and in 2013 were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Net assets of the pension fund at the beginning of the year	35 262	32 638
Contributions made	2 805	2 475
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	1 428	1 528
Deviation of return on assets	816	(238)
Pensions paid by the pension fund	(1 213)	(1 141)
Net assets of the pension fund at the end of the year	**39 098**	**35 262**

At 31 December 2014 and 2013 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Liquidity		
Listed		9.2%
Not listed	14.3%	2.0%
Fixed rate bonds		
Listed	41.7%	42.2%
Not listed		0.9%
Floating rate bonds		
Listed	5.4%	6.2%
Shares		
Listed	31.7%	36.1%
Real Estate		
Listed	1.2%	1.4%
Others		
Listed	5.7%	2.0%
	100.0%	**100.0%**

Contributions to the Pension Funds in 2014 and in 2013 were paid in cash.

As mentioned in note 2.8, and in accordance with the requirements of IAS 19, the Bank recognizes the effects of re-measuring the liability (asset) of the defined benefit pension plans and other post-employment benefits, directly in equity, in the Statement of Comprehensive Income, in the period in which they occur, including the actuarial gains and losses and deviations in the return on pension fund assets.

The changes in actuarial deviations from 2010 to 2014 were as follows:

Amount at 31 December 2009	**787**
Amortisation of deviations outside the corridor	(29)
Change in the actuarial assumptions	424
Deviation in pension fund income	(801)
Deviation in pensions paid	134
Amount at 31 December 2010 Proforma	**515**
Change in the actuarial assumptions	994
Deviation in pension fund income	(1 927)
Deviation in pensions paid	69
Amount at 31 December 2011	**(349)**
Change in the actuarial assumptions	(1 716)
Deviation in pension fund income	859
Deviation in pensions paid	232
Others	(458)
Amount at 31 December 2012	**(1 432)**
Change in the actuarial assumptions	
Discount rate and pension increase rate	(2 262)
Mortality table	(1 192)
Deviation in pension fund income	(238)
Deviation in pensions paid	236
Others	1 236
Amount at 31 December 2013 Proforma (note 4.32)	**(3 652)**
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(4 897)
Changes on the retirement age assumption	1 709
Deviation in pension fund income	816
Deviation in pensions paid	163
Others	505
Amount at 31 December 2014 (note 4.32)	**(5 356)**

The consolidated financial statements as of 31 December 2014 and 2013 include the following amounts relating to coverage of the pension liability for Directors, in the captions INTEREST AND FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.41) and PERSONNEL COSTS (note 4.43):

	31 Dec. 14	31 Dec. 13 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	1 548	1 640
Income on Plan assets computed with the discount rate	(1 428)	(1 528)
	120	**112**
Personnel costs		
Current service cost	1 752	1 324
Change in the pension plan conditions		5
	1 752	**1 329**

4.29. Share capital

At 31 December 2013 Banco BPI's share capital amounted to 1 190 000 th. euro. The Shareholders' General Meeting held on 23 April 2014 approved a proposal to increase share capital, to be paid up in kind, under a Public Exchange Offer of subordinated debt, participating bonds and preference shares for new shares of Banco BPI. The exchange operation was completed in June 2014. The nominal value of the securities subject to the offer was 127 001 th. euro, of which 115 758 th. euro accepted the exchange, which corresponds to an acceptance rate of 91%. The share capital increase included 66 924 000 new shares issued at the price of 1.54 euros, which corresponds to a share capital increase of 103 063 th. euro. Following this operation, Banco BPI's share capital was increased to 1 293 063 th. euro, represented by 1 456 924 237 ordinary, nominal dematerialized shares, of no par value.

The Shareholders' General Meeting held on 23 April 2014 granted the Board of Directors of Banco BPI authorization for the following, after obtaining all the permissions necessary considering the terms and conditions (hereinafter referred to as Terms and Conditions) of the Core Tier 1 Capital Instruments (contingent convertible subordinated bonds) subscribed for by the Portuguese State in connection with Banco BPI's recapitalization operation:

a) to purchase treasury shares of up to 10% of Banco BPI's share capital, provided that:

i) the treasury shares are purchased on a market registered by the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), at a price between 120% and 80% of the weighted daily average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext Lisboa – Sociedade Gestora de Mercados Regulamentados, S.A. (Euronext) preceding the date of purchase;
or

ii) the purchases result from assets received in payment agreements, to settle obligations emerging from contracts entered into by Banco BPI, provided that the value attributed, for that purpose, to the shares does not exceed the value determined by application of the criteria defined in (i) above;

b) to sell Banco BPI shares provided that:

i) the shares and options to purchase shares of Banco BPI are sold to Employees and Directors of Banco BPI and subsidiaries, as share-based payments under the terms and conditions established in the Variable Remuneration Program (RVA) regulations;

ii) the shares sold are delivered to the Portuguese State, under the terms of and pursuant to the "Alternative Interest Payment Mechanism" established in clause 6 of the Terms and Conditions;
or

iii) the shares are sold to third parties under the following conditions:

1. the shares are sold in a market registered at the Securities Market Commission (CMVM); and
2. the shares are sold at a price not less than 80% of the weighted average of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext preceding the date of sale;

c) carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).

The purchases and sales authorized by this decision may be carried out within eighteen months from the date thereof, this permission also being applicable, with the due adaptations, to the acquisition and sale of Banco BPI shares by Banco Português de Investimento, S.A.

Without prejudice to its freedom of decision and action under the above permissions, the Board of Directors, in carrying them out, should take into account, whenever it considers it necessary based on the relevant circumstances, the requirements of Commission Regulation (EC) 2273 / 2003 of 22 December 2003, as well as compliance at all times with the requirements of the Terms and Conditions of clause 11.

4.30. Other equity instruments and treasury shares

These captions are made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Other equity instruments		
Cost of shares to be made available to Group Employees		
RVA 2010		124
RVA 2011	1	1
RVA 2012	23	15
RVA 2013	589	23
RVA 2014	530	
Costs of options not exercised (premiums)		
RVA 2008		828
RVA 2009	786	806
RVA 2010	558	590
RVA 2011	49	55
RVA 2012	475	587
RVA 2013	1 331	385
RVA 2014	928	
	5 270	**3 414**
Treasury shares		
Shares to be made available to Group Employees		
RVA 2010		2
RVA 2011	1	2
RVA 2012	26	26
RVA 2013	935	
Shares hedging RVA options		
RVA 2008		3 045
RVA 2009	6 242	3 147
RVA 2010	250	95
RVA 2011	2 248	2 391
RVA 2012	3 950	8 382
RVA 2013	23	
Other shares	153	
	13 828	**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.

Details of the share-based Variable Remuneration Program (RVA) are included in note 4.50.

The BPI Group's financial statements as of 31 December 2014 and 2013 reflect 6 880 744 and 6 154 117 treasury shares, respectively, including 550 617 and 36 865 treasury shares to be made available under the RVA program for which ownership was transferred to the Employees on the grant date.

In 2014 and in 2013 the Bank recorded directly in shareholders' equity losses and gains of – 2 586 th. euro and 4 810 th. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) program.

4.31. Revaluation reserves

These captions are made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (note 4.5)		
Debt Instruments		
Securities	158 724	(45 822)
Hedging derivatives	(220 439)	(405 990)
Equity Instruments	30 379	16 691
Other	(3 837)	(1 751)
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(33 075)	(57 866)
Equity instruments available for sale	(1)	(6)
Legal revaluation reserve	703	703
	(67 546)	**(494 041)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale		
Tax assets	18 565	136 761
Tax liabilities	(2 162)	(5 056)
	16 403	**131 705**
	(51 143)	**(362 336)**

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

4.32. Other reserves and retained earnings

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Legal reserve	86 124	86 124
Merger reserve	2 530	(2 463)
Consolidation reserves and retained earnings	671 045	558 686
Other reserves	582 743	606 346
Actuarial deviations		
Associated with the transferred liabilities	(193 538)	(193 538)
Associated with the liabilities that remain with the Bank	(189 250)	(95 959)
Taxes related to actuarial deviations	100 890	82 998
Loss on treasury shares	(4 688)	(2 102)
Taxes relating to gain on treasury shares	1 784	615
	1 057 640	**1 040 707**

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

At 31 December 2014 and 2013 the share premium account and legal reserve of the BPI Group companies which, under the applicable regulations, may not be distributed, amounted to 184 034 th. euro and 172 308 th. euro, respectively which, weighted by Banco BPI's effective participation percentage in these companies, amounted to 88 608 th. euro and 80 248 th. euro, respectively. These reserves are included in the captions consolidation reserves and retained earnings and revaluation reserves.

The caption CONSOLIDATION RESERVES at 31 December 2014 and 2013 includes 28 302 th. euro and 11 473 th. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by the BPI Group's (effective) participation in them.

In 2014 BPI Group recorded under the caption CONSOLIDATION RESERVES AND RETAINED EARNINGS the amount of 9 536 th. euro corresponding to the impact, net of taxes, of the exchange of preference shares for new shares of Banco BPI (notes 4.29 and 4.33). This caption at 31 December 2014 also includes (3 467) th. euro relating to the revaluation of the new Banco BPI shares issued as part of the exchange operation of subordinated debt for new shares of Banco BPI (note 4.41).

4.33. Minority interests

This caption is made up as follows:

	Balance sheet		Statement of income	
	31 Dec. 14	31 Dec. 13 Proforma	31 Dec. 14	31 Dec. 13 Proforma
Minority shareholders in:				
Banco de Fomento Angola, S.A.	416 464	314 286	122 600	92 262
BPI Capital Finance Ltd.	1 805	51 233	679	1 135
	418 269	**365 519**	**123 279**	**93 397**

In 2008, as part of the sale operation of 49.9% of BFA's share capital, a shareholders agreement relating to Banco de Fomento Angola, S.A. was signed, containing, among others, rules on the composition of the governing bodies and on the transfer of the Bank’s shares.

Minority interests in BPI Capital Finance at 31 December 2014 and 2013 include 1 786 th. euro and 51 021 th. euro, respectively, relating to preference shares:

	31 Dec. 14			31 Dec. 13 Proforma		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
“C” series shares	250 000	(248 214)	1 786	250 000	(198 979)	51 021
	250 000	**(248 214)**	**1 786**	**250 000**	**(198 979)**	**51 021**

The C Series preference shares, with a nominal value of 1 000 each, issued in August 2003, entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 1.55 percentage points up to 12 August 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on 12 February, 12 May, 12 August and 12 November of each year. The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI’s distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd, with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinate to all liabilities of Banco BPI and “*pari passu*” with any other preference shares that might be issued by the Group in the future.

In the first half of 2014 Banco BPI carried out an exchange operation of preference shares for new shares of Banco BPI. The nominal value of the preference shares accepted for exchange amounted to 49 540 th. euro. Considering that the price attributed to the exchange corresponded to 75% of the nominal value, a gain net of taxes in the amount of 9 536 th. euro was obtained, which was recorded under the caption CONSOLIDATION RESERVES AND RETAINED EARNINGS (note 4.32).

4.34. Off balance sheet items

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Guarantees given and other contingent liabilities		
Guarantees and sureties	1 826 825	1 832 700
Stand-by letters of credit	75 882	71 565
Documentary credits	265 895	189 201
Sureties and indemnities	109	105
Other guarantees given and contingent liabilities		13 200
	2 168 711	**2 106 771**
Assets given as collateral	**8 444 846**	**9 841 209**
Commitments to third parties		
Irrevocable commitments		
Options on assets	13 713	10 359
Irrevocable credit lines	1 598	1 960
Securities subscription	303 726	326 625
Term commitment to make annual contributions to the Deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	9 188	10 262
Other irrevocable commitments		293
Revocable commitments	2 989 001	2 632 129
	3 355 940	**3 020 342**
Responsibility for services provided		
Deposit and safeguard of assets	33 524 551	25 409 651
Amounts for collection	128 132	72 501
Assets managed by the institution	5 149 239	4 876 032
	38 801 922	**30 358 184**

The structure, by sector, of the guarantees given to the BPI Group at 31 December 2014 and 2013 is as follows:

	31 Dec. 14		31 Dec. 13 Proforma	
	Amount	%	Amount	%
Residents				
Agriculture, animal production and hunting	7 004	0.3	4 050	0.2
Forestry and forest operations	535		708	
Fishing	746		943	
Mining	4 443	0.2	5 170	0.2
Beverage, tobacco and food	83 035	3.8	99 848	4.7
Textiles and clothing	14 247	0.7	12 750	0.6
Leather and related products	1 697	0.1	1 070	0.1
Wood and cork	12 346	0.6	16 758	0.8
Pulp, paper and cardboard and graphic arts	5 503	0.3	4 214	0.2
Coke, refined petroleum products and fuel pellets	19 606	0.9	19 621	0.9
Chemicals, synthetic or artificial fibres, except pharmaceutical products	6 364	0.3	4 711	0.2
Base pharmaceutical products and pharmaceutical mixtures	2 246	0.1	2 137	0.1
Rubber and plastic materials	12 521	0.6	11 477	0.5
Other mineral non-metallic products	29 576	1.4	33 114	1.6
Metalworking industries	35 656	1.6	41 378	2.0
Computers, electronic, electrical and optical equipment	11 704	0.5	17 367	0.8
Transport equipment	13 051	0.6	18 509	0.9
Other manufacturing industries	7 967	0.4	11 076	0.5
Electricity, gas and water	55 553	2.6	49 391	2.3
Water treatment and collection	97 296	4.5	57 249	2.7
Construction	354 881	16.4	435 310	20.7
Wholesale and retail trade; motor vehicle and motorcycle repairs	204 714	9.4	186 037	8.8
Transport and storage	272 030	12.5	316 891	15.1
Restaurants and hotels	27 381	1.3	31 049	1.5
Information and communication activities	150 533	6.9	145 236	7.0
Investment holding companies	44 616	2.1	41 969	2.0
Financial intermediation, except for insurance and pension funds	27 499	1.3	49 568	2.4
Insurance, reinsurance and pension funds, except for mandatory social security	825		1 827	0.1
Auxiliary activities to financial services and insurance	637		675	
Real estate	30 752	1.4	53 209	2.5
Consulting, scientific, technical and similar activities	55 830	2.6	71 856	3.5
Administrative and support services	14 689	0.7	12 648	0.6
Public administration, defence and mandatory social security	19 272	0.9	29 012	1.4
Education	3 187	0.1	3 649	0.2
Healthcare and welfare	4 950	0.2	4 638	0.2
Leisure, cultural and sports activities	10 488	0.5	33 457	1.6
Other service companies	3 039	0.1	2 745	0.1
Other companies[1]	379		1 006	
Individuals				
Others	34 044	1.6	46 821	2.2
Non-residents				
Financial and credit institutions	21 510	1.0	16 132	0.8
Non-financial companies	464 944	21.4	131 196	6.2
Individuals	1 415	0.1	80 299	3.8
	2 168 711	**100.0**	**2 106 771**	**100.0**

1) Companies without CAE Code (Business Activity Classification – Classificação das Actividades Económicas).

The caption ASSETS GIVEN AS COLLATERAL at 31 December 2014 and 2013 includes:

- 109 783 th. euro and 139 926 th. euro, respectively, relating to credit and 6 759 151 th. euro and 8 810 143 th. euro relating to securities, captive for obtaining funding from the European Central Bank (ECB);

- 4 977 th. euro and 10.565 th. euro relating to securities given in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);

- 47 077 th. euro and 48 522 th. euro relating to securities given in guarantee to the Deposit Guarantee Fund.

Additionally, at 31 December 2014 and 2013 the caption ASSETS GIVEN AS COLLATERAL includes, respectively, 1 396 439 th. euro and 617 708 th. euro of securities and 124 762 th. euro and 197 330 th. euro of credit, given as collateral to the European Investment Bank.

The OPTIONS ON ASSETS caption at 31 December 2014 and 2013 corresponds to share options issued by the BPI Group under the share-based payments program (RVA).

The COMMITMENTS TO THIRD PARTIES – SECURITIES SUBSCRIPTION caption at 31 December 2014 and 2013 corresponds to Banco BPI's commitment to subscribe for commercial paper if the securities issued are not totally or partially subscribed for by the market.

The TERM COMMITMENT TO MAKE ANNUAL CONTRIBUTIONS TO THE DEPOSIT GUARANTEE FUND caption at 31 December 2014 and 2013 corresponds to BPI's legally required irrevocable commitment, to pay to the Fund, upon request by it, of the amount of the annual contributions not yet paid.

The COMMITMENT TO THE INVESTOR INDEMNITY SYSTEM caption at 31 December 2014 and 2013 corresponds to BPI's irrevocable commitment, legally required under the applicable legislation, to pay the System, if required to do so, its share of the amounts necessary to indemnify investors.

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

Investment Funds and PPRs	1 897 216
Pension funds[1]	2 248 738

1) Includes the Group companies' pension funds.

4.35. Financial margin (narrow sense)

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Interest and similar income		
Interest on deposits with banks	395	1 669
Interest on placements with credit institutions	33 274	31 517
Interest on loans to Customers	496 326	533 624
Interest on credit in arrears	12 049	17 423
Interest on securities held for trading and available for sale	306 053	369 786
Interest on securitised assets not derecognised	173 156	178 002
Interest on derivatives	262 851	264 294
Interest on securities held to maturity		105
Interest on debtors and other aplications	2 226	3 293
Other interest and similar income	3 793	4 364
	1 290 123	**1 404 077**
Interest and similar expense		
Interest on resources		
Of central banks	6 138	23 151
Of other credit institutions	7 872	10 414
Deposits and other resources of Customers	393 278	420 604
Debt securities	73 995	84 204
Interest from short selling	1 410	499
Interest on derivatives	277 256	313 111
Interest on liabilities relating to assets not derecognised on securitised operations	15 895	18 778
Interest on contingent convertible subordinated bonds	26 675	84 940
Interest on subordinated debt	2 002	2 844
Other interest and similar expenses	274	272
	804 795	**958 817**

4.36. Gross margin on unit links

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Income from financial instruments		
Interest	5 401	2 719
Gains and losses on financial instruments	27 857	17 495
Gains and losses on capitalisation insurance – unit links	(33 258)	(20 214)
Management and redemption comission	5 029	3 010
	5 029	**3 010**

4.37. Income from equity instruments

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Conduril	553	276
SIBS	1 086	878
Viacer	1 568	1 568
Others	405	263
	3 612	**2 985**

4.38. Net commission relating to amortized cost

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Commission received relating to amortised cost		
Loans to Customers	26 568	29 757
Others	1 028	1 271
Commission paid relating to amortised cost		
Loans to Customers	(5 880)	(6 047)
Others	(1 232)	(1 209)
	20 484	**23 772**

4.39. Technical result of insurance contracts

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Premiums	1 721 258	686 524
Income from financial instruments	80 545	73 869
Impairment (note 4.22)	(10 295)	(943)
Cost of claims, net of reinsurance	(328 009)	(355 829)
Changes in technical provisions, net of reinsurance	(1 394 074)	(331 747)
Participation in results	(35 032)	(47 118)
	34 393	**24 756**

This caption includes the result of capitalization insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalization insurance is attributed at the end of each year and is calculated in accordance with the technical bases of each product, duly approved by the Portuguese Insurance Institute (note 2.12).

4.40. Net commission income

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Commissions received		
On guarantees provided	23 741	23 697
On commitments to third parties	2 831	4 344
On insurance brokerage services	40 666	39 533
On banking services rendered	225 213	223 528
On operations realised on behalf of third parties	25 942	13 689
Other	4 195	3 022
	322 588	**307 813**
Commissions paid		
On guarantees received	49	34
On financial instrument operations	34	300
On banking services rendered by third parties	35 921	38 698
On operations realised by third parties	3 721	2 575
Other	7 912	(43)
	47 637	**41 564**
Other income, net		
Refund of expenses	25 874	25 765
Income from banking services	20 803	25 317
Charges similar to fees	(9 455)	(8 502)
	37 222	**42 580**

At 31 December 2014 and 2013 commissions received for insurance brokerage services or reinsurance are made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Life insurance		
Housing	19 646	20 212
Consumer	2 079	1 769
Others	5 320	5 571
	27 045	**27 552**
Non-life insurance		
Housing	5 050	4 590
Consumer	570	329
Others	8 001	7 062
	13 621	**11 981**
	40 666	**39 533**

Remuneration for insurance brokerage services was received in full in cash, more than 98% thereof relating to insurance brokerage services for Allianz.

4.41. Net income on financial operations

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Gain and loss on operations at fair value		
Foreign exchange gain, net	121 060	97 490
Gain and loss on financial assets held for trading		
Debt instruments	10 649	4 068
Equity instruments	13 932	75 752
Other securities	924	1 394
Gain and loss on trading derivative instruments	(12 772)	(69 280)
Gain and loss on other financial assets valued at fair value through profit or loss	259	25
Gain and loss on investments held to maturity		7
Gain and loss on financial liabilities held or trading	586	1 780
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	57 927	(116 399)
Gain and loss on hedging derivative instruments	(53 234)	116 839
Other gain and loss on financial operations	18 572	12 522
	157 903	**124 198**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to Customers	(221)	1 824
Gain and loss on financial assets available for sale		
Debt instruments	(134 871)	125 204
Equity instruments	113	5 440
Others	(26)	(187)
	(135 005)	**132 281**
Interest and financial gain and loss with pensions		
Interest cost	(41 271)	(42 505)
Expected fund income	43 262	46 698
	1 991	**4 193**

The caption DERIVATIVE INSTRUMENTS IN FINANCIAL ASSETS HELD FOR TRADING at 31 December 2014 and 2013 includes (1 371) th. euro and (50 517) th. euro, respectively, relating to equity swaps contracted with Customers, which are hedged with shares classified in the caption EQUITY INSTRUMENTS. At 31 December 2014, this caption included (12 123) th. euro relating to adjustments for counterparty credit risk and own credit risk associated with derivative financial instruments contracted with counterparties with which the Bank does not maintain collateralization agreements.

The caption OTHER GAINS AND LOSSES ON FINANCIAL OPERATIONS at 31 December 2014 and 2013, includes 21 293 th. euro and 12 201 th. euro, respectively, relating to gains on the repurchase of financial liabilities on securitization operations. This caption at 31 December 2014 also includes (3 467) th. euro relating to the revaluation of the new Banco BPI shares issued as part of the exchange operation of subordinated debt for new shares of Banco BPI (note 4.32).

The caption GAIN AND LOSS ON FINANCIAL ASSETS AVAILABLE FOR SALE – DEBT INSTRUMENTS at 31 December 2014 and 2013 includes losses amounting to 108 750 th. euro and gains amounting to 129 327 th. euro, respectively, relating to the sale of Treasury Bonds and Treasury Bills issued by the Portuguese State. At 31 December 2014 this caption also included losses amounting to 28 550 th. euro relating to the sale of Italian public debt bonds.

4.42. Net operating expenses

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Operating income		
Revenue from investment properties	8 376	9 381
Gains on investment properties	9 961	1 436
Minority interest in the investment fund Imofomento	(1 033)	(1 461)
Gain on tangible assets held for sale	1 011	686
Gain on other tangible assets	8 495	7 637
Other operating income	6 426	5 352
	33 236	**23 031**
Operating expenses		
Losses on investment properties	12 377	3 573
Expenses with investment properties	1 196	1 529
Subscriptions and donations	4 513	4 734
Contributions to the Deposit Guarantee Fund	3 272	3 268
Contributions to the Resolution Fund	2 664	4 455
Contribution to the Investor Indemnity System	8	10
Loss on tangible assets held for sale	1 793	1 291
Loss on other tangible and intangible assets	12 123	11 709
Other operating expenses	6 482	6 504
	44 428	**37 073**
Other taxes		
Indirect taxes	15 045	6 324
Direct taxes	1 965	1 494
	17 010	**7 818**

The amounts recorded in the captions REVENUE FROM INVESTMENT PROPERTIES and EXPENSES WITH INVESTMENT PROPERTIES in 2014 are made up as follows:

	Income	Expenses
Leased real estate	8 376	960
Not leased real estate		54
	8 376	**1 014**

GAINS AND LOSSES ON INVESTMENT PROPERTIES in 2014 and 2013 include (3 565) th. euro and (2 524) th. euro, respectively, relating to property revaluation (note 4.10) and 1 376 th. euro and 298 th. euro relating to gain on property sold.

Decree-Law 24 / 2013 of 19 February established the contributions system of Banks to the new Resolution Fund created with the purpose of preventing, mitigating and containing systemic risk.

Bank of Portugal Notice 1 / 2013 and Instructions 6 / 2013 and 7 / 2013 established the payment of an initial contribution and periodic contributions to the Resolution Fund. Banco BPI recorded in its 2013 accounts the initial contribution and the periodic contribution for 2013.

The caption LOSS ON OTHER TANGIBLE AND INTANGIBLE ASSETS at 31 December 2014 and 2013 includes 1 468 th. euro and 3 264 th. euro, respectively, relating to the closure of branches.

4.43. Personnel costs

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Remuneration	285 594	284 823
Long service premium	5 554	4 568
Pension costs	5 478	4 070
Early retirements	32 455	23 321
Death subsidy		(3 317)
Other mandatory social charges	63 228	63 227
Other personnel costs	10 229	10 114
	402 538	**386 806**

The caption REMUNERATION in 2014 and 2013 includes the following costs relating to remuneration granted to the members of Banco BPI's Board of Directors:

- 5 890 th. euro and 2 893 th. euro, respectively, relating to remuneration paid in cash; and
- 316 th. euro and 126 th. euro, respectively, relating to prior years' accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption PENSION FUND in 2014 and 2013 includes 4 171 th. euro and 2 668 th. euro, respectively, relating to costs of the Defined Contribution Pension Plan for Employees of Banco de Fomento Angola.

4.44. Administrative costs

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Administrative costs		
Supplies		
Water, energy and fuel	12 019	13 600
Consumable material	5 387	5 422
Other	1 140	995
Services		
Rent and leasing	48 239	50 606
Communications and computer costs	37 574	37 452
Travel, lodging and representation	8 011	7 822
Publicity	18 379	15 682
Maintenance and repairs	20 769	18 712
Insurance	4 743	4 941
Fees	4 762	4 553
Legal expenses	5 631	5 949
Security and cleaning	11 409	12 034
Information services	5 890	4 934
Temporary labour	3 290	3 410
Studies, consultancy and auditing	11 658	8 389
SIBS	19 627	19 653
Other services	19 691	18 295
	238 219	**232 449**

At 31 December 2014 the remuneration paid to Deloitte and its network[1], in the amount of 2 272 th. euro is made up as follows, by nature and entity to which the services were provided:

Type of service	Banco BPI	BFA	BPI-BI	BPI GA[2]	Others[3]	Total	% of total
Statutory audit	645	129	99	46	246	1 165	51%
Other assurance services	242	197	29	35	98	601	26%
Tax consultancy	215	95			7	317	14%
Other services	67	122				189	8%
	1 169	**543**	**128**	**81**	**351**	**2 272**	**100%**

1) The "network" of BPI auditors includes Deloitte and Deloitte & Associados, SROC, S.A., and it agrees with the definition of "network" established by the European Commission in its Recommendation no. C (2002) 1873 of 16 May 2002.
2) Includes the amounts paid by securities and real estate funds managed by BPI Gestão de Activos.
3) In order of decreased importance of the amounts paid: BPI Vida e Pensões, BPI Strategies, BPI Suisse, BPI Luxemburgo, Banco BPI Cayman, Banco BPI – Offshore de Macau, BPI Capital Africa, BPI Private Equity,, BPI Alternative Fund Luxemburgo, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Moçambique – Sociedade de Investimento and BPI Madeira.

Deloitte and its network did not provide any service to the BPI Group in areas relating to financial information technologies, internal audit, valuations, litigation, recruitment, among others, that could generate conflicts of interest or a potential damage to the quality of the statutory audit work.

All the services rendered by Deloitte, including the remuneration conditions, independently of their nature, are subject to prior examination and approval by the Supervisory Board, which is an additional mechanism to ensure the independence of the External Auditor.

4.45. Income tax

At 31 December 2014 and 2013 Proforma, the income tax recognized in the statements of income, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, were as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Current income tax		
For the year	20 437	38 871
Correction of prior years	(4 301)	(5 203)
	16 136	**33 668**
Deferred tax		
Recognition and reversal of temporary differences	1 908	(8 182)
Change in tax rate	20 534	2 627
On tax losses carried forward	(23 468)	(20 708)
	(1 026)	**(26 263)**
Contribution over the banking sector	15 553	13 059
Total tax charged to the statement of income	**30 663**	**20 463**
Net income before income tax[1]	(35 806)	153 776
Tax burden	(85.6%)	13.3%

1) Considering net income of the BPI Group plus income tax and income attributable to minority interests less the earnings of associated companies (equity method).

In 2014 and 2013 Proforma, Banco BPI recorded directly in retained earnings income tax of (15 742) th. euro and (750) th. euro, respectively, resulting from (i) actuarial deviations in pensions recognized in the period, (ii) net gain / loss on treasury shares recognized in equity and (iii) the operation relating to the exchange of preference shares for new shares of Banco BPI (note 4.31).

Reconciliation between the nominal rate of income tax and the tax burden at 31 December 2014 and 2013 Proforma, as well as between the tax cost / income and the product of the accounting profit times the nominal tax rate are as follows:

	31 Dec. 14		31 Dec. 13 Proforma	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		(35 806)		153 776
Income tax computed based on the nominal tax rate	(35.0%)	12 532	40.4%	62 069
Effect of tax rates applicable to foreign branches	(0.1%)	32	(0.2%)	(321)
Capital gain and impairment of investments (net)	(2.2%)	792	(1.7%)	(2 602)
Capital gain of tangible assets (net)	1.1%	(376)	(0.3%)	(409)
Income on Angolan public debt	201.6%	(72 187)	(32.9%)	(50 517)
Non taxable dividends	4.0%	(1 420)	(0.4%)	(583)
Tax on dividends of subsidiary and associated companies	(20.2%)	7 246	3.6%	5 548
Conversion of shareholders' equity of associated companies	0.6%	(211)	(0.3%)	(480)
Tax benefits	2.6%	(943)	(0.9%)	(1 447)
Impairment and provision for loans	7.3%	(2 598)	(0.5%)	(697)
Non tax deductible pension costs	(4.4%)	1 588	(3.3%)	(5 072)
Interest recognised on minority interests	(0.1%)	27	(0.2%)	(302)
Correction of prior year taxes	11.2%	(3 994)	(2.4%)	(3 755)
Extraordinary investment tax credit	0.8%	(300)	(0.5%)	(700)
Difference of tax rate on tax losses[1]	(3.9%)	1 400	1.0%	1 558
Difference between the current income tax rate and the deferred tax rate[2]	(0.4%)	139	(0.4%)	(637)
Tax losses without expected realization	(142.2%)	50 905		
Effect of change in the rate of deferred tax	(57.4%)	20 535	1.7%	2 627
Contribution over the financial sector	(43.4%)	15 553	8.5%	13 059
Autonomous taxation	(6.7%)	2 398	1.4%	2 115
Other non taxable income and expenses	1.3%	(455)	0.7%	1 011
	(85.6%)	**30 663**	**13.3%**	**20 464**

1) The calculation of deferred taxes on tax losses is based on the tax rate of 21% (23% in 31 December 2013) and not on the nominal tax rate (which includes State and Municipal surcharge).
2) Difference resulting from the fact that the effective current income tax rate differs from the rate used to calculate deferred taxes.

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

	31 Dec. 14		31 Dec. 13 Proforma	
	Net income before income tax	Current tax rate	Net income before income tax	Current tax rate
Companies with income tax rate of 23% and Surcharge between [1.5%; 6.5%]	(292 074)	20.7%	(44 002)	13.4%
Companies with income tax rate of 30% (Angola)	243 635	30.0%	194 781	35.0%
Investment funds[1]	12 633		2 997	
	(35 806)	**(35.0%)**	**153 776**	**40.4%**

1) Regime applicable under the provisions of article 22 of the EBF.

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax assets are also recognized on tax losses carried forward and tax credits.

Profits distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 46 of the Corporation Income Tax Code, which eliminates double taxation of profits distributed.

Deferred tax assets and liabilities are calculated using the tax rates decreed for the periods in which they are expected to reverse.

Deferred tax assets and liabilities at 31 December 2014 and 2013 Proforma are as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Deferred tax		
Assets (note 4.14)	411 833	517 455
Liabilities (note 4.24)	(30 028)	(37 977)
	381 805	**479 478**
Recorded by corresponding entry to:		
Retained earnings	287 314	246 155
Other reserves – Actuarial deviations	77 063	75 361
Fair value reserve (note 4.30)		
Financial instruments available for sale	16 402	131 699
Net income	1 026	26 263
	381 805	**479 478**

Deferred tax assets are recognized up to the amount expected to be realized through future taxable profits.

The changes in deferred taxes in 2014 were as follows:

	Balance at 31 Dec. 13 Proforma	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 14
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	1 647	(3 646)	130			(1 869)
Early retirements	30 455	(1 168)				29 287
Banco BPI Cayman net income	229	(16)				213
Taxed provisions and impairment	147 706	(315)	34			147 425
Long service premium	7 401	(1)	835			8 235
Tax losses	86 887	(4 625)	20 538	30		102 830
Investment tax credit	700		252			952
Financial instruments available for sale	137 139	(248)	194	5 042	(123 498)	18 629
Actuarial deviations	75 318	(8 774)			(5 124)	61 420
Actuarial deviations after 2011			(6 800)	22 443		15 643
Public exchange offer			3 329		(3 329)	
Tax deferral of the impact of transition to NCA	26 044	(3 296)				22 748
Others	3 930	(173)	955	1 610	(1)	6 321
	517 455	**(22 262)**	**19 467**	**29 125**	**(131 952)**	**411 833**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(696)		54			(642)
Revaluation of assets and liabilities hedged by derivatives	(170)	(821)				(991)
Subsidiary's equity conversion	(211)	211				(0)
Dividends to be distributed by subsidiary and associated companies	(7 736)	(7 138)	4 624		(196)	(10 446)
RVA's		(1 169)		1 169		
Financial instruments available for sale	(6 372)	(528)		425	(31)	(6 506)
Repurchase of liabilities and preference shares	(20 066)		7 477	2 684		(9 905)
Reversal of gains in the consolidated accounts	(2 723)		1 189			(1 534)
Others	(2)	(78)		77		(3)
	(37 977)	**(9 523)**	**13 344**	**4 355**	**(227)**	**(30 028)**
	479 478	**(31 785)**	**32 811**	**33 480**	**(132 179)**	**381 805**

The changes in deferred taxes in 2013 Proforma are as follows:

	Balance at 31 Dec. 12	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 13 Proforma
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	6 263	(4 618)	1			1 647
Early retirements	31 959	(1 504)				30 455
Advertising campaigns	70	(70)				
Banco BPI Cayman net income	225		4			229
Taxed provisions and impairment	136 166		11 540			147 706
Long service premium	6 117	(11)	1 296			7 401
Tax losses	71 934	(14 882)	29 835			86 887
Investment tax credit			700			700
Financial instruments available for sale	244 672		1 498	4 203	(113 234)	137 139
Actuarial deviations	83 205	(9 415)		1 527		75 318
Actuarial deviations after 2011			(119)	119		
Tax deferral of the impact of transition to NCA	27 172	(1 128)				26 044
Others	700	(71)	268	3 051	(18)	3 930
	608 483	**(31 698)**	**45 022**	**8 899**	**(113 251)**	**517 455**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(721)		25			(696)
Revaluation of assets and liabilities hedged by derivatives	(267)	97				(170)
Subsidiary's equity conversion	(691)	480				(211)
Dividends to be distributed by subsidiary and associated companies	(8 032)	(5 549)	5 484	362		(7 736)
RVA's			1 414		(1 414)	
Financial instruments available for sale	(49 971)	4 940		38 671	(12)	(6 372)
Repurchase of liabilities and preference shares	(30 132)		8 851	1 217	(3)	(20 066)
Reversal of gains in the consolidated accounts		(2 723)				(2 723)
Others	(1)	(4 512)	4 433	78		(2)
	(89 815)	**(7 268)**	**20 206**	**40 329**	**(1 429)**	**(37 977)**
	518 668	**(38 966)**	**65 229**	**49 228**	**(114 680)**	**479 478**

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

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

4.46. Earnings of associated companies (equity method)

This caption is made up as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	11 570	10 797
Companhia de Seguros Allianz Portugal, S.A.	7 014	10 497
Cosec – Companhia de Seguros de Crédito, S.A.	5 501	5 772
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	(326)	(1 791)
InterRisco – Sociedade de Capital de Risco, S.A.	213	384
Unicre – Instituição Financeira de Crédito, S.A.	2 153	1 440
	26 125	**27 099**

Contribution of the associated companies of Banco BPI to the consolidated comprehensive income is as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Contribution to consolidated net income	26 125	27 099
Income not included in the consolidated statement of income	15 961	5 349
Contribution to consolidated comprehensive income	**42 086**	**32 448**

4.47. Consolidated net income of the BPI Group

Contribution of Banco BPI and subsidiary and associated companies to consolidated net income in 2014 and 2013 is as follows:

	31 Dec. 14	31 Dec. 13 Proforma
Banks		
Banco BPI, S.A.[1]	(346 209)	(119 556)
Banco Português de Investimento, S.A.[1]	2 456	580
Banco de Fomento Angola, S.A.[1]	116 937	88 000
Banco Comercial e de Investimentos, S.A.R.L.[1]	10 587	9 879
Banco BPI Cayman, Ltd.[1]	2 363	1 869
Asset management		
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	7 174	7 006
BPI – Global Investment Fund Management Company, S.A.	1 660	791
BPI (Suisse), S.A.	3 906	4 109
BPI Alternative Fund: Iberian Equities Long / Short Fund[1]		3 604
BPI Alternative Fund: Iberian Equities Long / Short Fund Luxemburgo[1]	5 210	2 362
BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações[1]	135	(63)
Imofomento – Fundo de Investimento Imobiliário Aberto[1]	702	870
BPI Strategies, Ltd.	485	819
Venture capital / development		
BPI Private Equity – Sociedade de Capital de Risco, S.A.	(712)	352
Inter-Risco – Sociedade de Capital de Risco, S.A.[1]	213	384
Insurance		
BPI Vida e Pensões – Companhia de Seguros, S.A.[1]	26 094	52 773
Cosec – Companhia de Seguros de Crédito, S.A.	5 501	5 772
Companhia de Seguros Allianz Portugal, S.A.	7 014	10 497
Others		
BPI, Inc.	(204)	(136)
BPI Locação de Equipamentos, Lda.	(9)	65
BPI Madeira, SGPS, Unipessoal, S.A.[1]	(16)	91
BPI Moçambique – Sociedade de Investimento, S.A.[1]	(56)	(962)
BPI Capital Finance	(33)	
BPI Capital Africa[1]	(1 358)	(1 740)
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.[1,2]	(5 616)	(1 791)
Unicre – Instituição Financeira de Crédito, S.A.[1]	153	1 440
	(163 623)	**67 015**

1) Adjusted net income.
2) At 31 December 2014 the participation in Finangeste was reclassified to the caption NON-CURRENT ASSETS HELD FOR SALE (note 4.13).

4.48. Personnel

The average and period-end number of Employees[1] in 2014 and 2013 were as follows:

	31 Dec. 14		31 Dec. 13 Proforma	
	Average for the period	End of period	Average for the period	End of period
Executive directors[2]	9	9	10	10
Management staff	618	619	613	608
Other staff	5 409	5 312	5 368	5 437
Other Employees	2 749	2 698	2 897	2 809
	8 785	**8 638**	**8 888**	**8 864**

1) Personnel of the Group's entities consolidated by the full consolidation method. This includes personnel of the foreign branches of Banco BPI.
2) This includes the executive directors of Banco BPI and BPI Investimentos.

4.49. Financial risks

Fair value

Fair value of financial instruments and investment properties is determined whenever possible based on the price in an active market. A market is considered to be active and liquid, when it is accessed by equally knowledgeable counterparties and is traded on a regular basis. In the case of financial instruments and investment properties with no prices in active markets, due to lack of liquidity and absence of regular transactions, valuation methods and techniques to estimate fair value are used.

Financial instruments and investment properties recorded in the balance sheet at fair value were classified by levels in accordance with the hierarchy of IFRS 13.

Financial instruments recorded in the balance sheet at fair value

Debt instruments and equity instruments

- Level 1 – Price in an active market

  This category includes, in addition to financial instruments listed on Stock Exchanges, financial instruments valued based on prices in active markets published in electronic trading platforms, taking into account the liquidity (number of contributors) and depth of the asset (contributor type). Classification as an active market is carried out automatically by the asset valuation system, provided that the financial instruments are quoted by more than ten market contributors, with at least five firm offers and there is a multi-contributed quotation (price formed by several firm offers from contributors available in the market). The proposed automatic classification is assessed by an expert team.

- Level 2 – Valuation techniques based on market inputs

  This level considers securities that, having no active market, are valued by reference to valuation techniques based on market prices for instruments having the same or similar characteristics, including observable market prices for financial assets which have had significant decreases in trading volumes. The asset valuation system classifies automatically as level 2, financial instruments quoted by more than 4 and up to 9 contributors, with at least two firm bids and there is a multi-contributed quotation. This level also includes financial instruments valued based on internal models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates) and financial instruments valued based on third party purchase prices (indicative bids), based on observable market data. The proposed automatic classification is assessed by an expert team.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

  Financial assets are classified as Level 3 if a significant proportion of their book value is the result of inputs not based on observable market data, namely:

  - unlisted securities that are valued based on in-house developed models for which there is no generally accepted market consensus as to the inputs to be used, namely:
    - assets valued based on Net Asset Value updated and disclosed by their managing companies;
    - assets valued based on prices disclosed by the entities involved with the structuring of the transactions; or
    - assets for which impairment tests are made based on indicators of the performance of the underlying operations (degree of protection by subordination of the parts owned, rates of delinquency of the underlying assets, evolution of the ratings).
  - securities valued at indicative purchase prices based on theoretical models, disclosed by third parties and considered reliable.

  For unquoted shares, fair value is estimated based on an analysis of the issuer's financial position and results, risk profile and market valuations or transactions for companies with similar characteristics.

If a market value is not available and it is not possible to determine fair value reliably, equity instruments are recognized at historical cost and are subject to impairment tests.

Financial derivative instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (especially stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- Level 1 – Price in an active market

  This category includes futures and options traded on stock exchanges.

- Level 2 – Valuation techniques based on market inputs

  Level 2 includes derivatives, traded on over-the-counter markets, without an optional component (swaps and similar) and that have been contracted with counterparties with which the Bank has collateralization agreements and therefore are not subject to adjustments for credit risk, to the extent that it is mitigated.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- Level 3 – Valuation techniques using mainly inputs not based on observable market data

  Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements or derivatives that have been contracted with counterparties with which the Bank does not have collateralization agreements.

  Derivative financial instruments traded in the over-the-counter market, that have been contracted with counterparties with which the Bank does not have collateralization agreements were classified as Level 3 since their credit risk adjustments are estimated mainly by using inputs not based on observable market data. With the exception of the adjustments for credit risk, the estimated fair value of these instruments is calculated in the same way as described for the Level 2 financial instruments derivatives.

  The valuation of derivatives with optional elements is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market).The theoretical models used to value derivatives classified in Level 3 are of two types:

  (i) For simpler operations (plain vanilla) option and optional elements are valued based on the Black-Scholes models or their derivatives (commonly used models by the market in the valuation of this type of operation). The inputs for these models, price and volatility, are collected from Bloomberg. At 31 December 2014 the values of the unobservable market inputs (implied volatility of the underlying assets) are included in the following ranges by type of underlying asset:

Implicit volatility

Underlying	Min.	Max.
Euribor 1 month	149.81%	688.97%
Euribor 3 months	49.83%	279.39%
Euribor 6 months	44.86%	139.41%
Euribor 12 months	93.71%	114.95%
Exchange EUR / USD	8.61%	18.92%
Exchange EUR / GBP	7.58%	8.58%

Valuation of the non-optional components is made based on discounted cash flows, using methodology similar to that used for derivatives without an optional component.

  (ii) For the more exotic options or complex derivatives incorporating optional elements (for which there are no Black Scholes models available) the Bank contracted a specialized entity that performs the valuation based on specific models, constructed using criteria and methodologies generally accepted for this type of operations. At 31 December 2014 the values of the inputs not observable in the market (implicit volatility of the underlying assets) are included in the following categories, by type of underlying asset:

Implicit volatility

Underlying type	Min.	Max.
Shares / indexes	5.89%	35.49%
Commodities	17.13%	34.77%

  In accordance with the policy defined by the BPI Group as regards the management of exposure of options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the income statement of the BPI Group, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences the models or assumptions are reviewed.

The Bank has been incorporating counterparty credit risk in determining the fair value of derivative financial instruments contracted on the over-the-counter market. Therefore, the present value of the derivatives contract is adjusted to avoid the immediate recognition in results of the full amount of the initial margin of the operations on the recording date, thus ensuring that the Bank's financial margin gain is recognized on a straight-line basis over the period of the operations. Additionally, counterparty credit risk of the derivative instruments is analyzed based on the Bank's impairment model, the balance sheet amount being adjusted by corresponding entry to results of financial operations.

Following the entry into force in 2013 of IFRS 13 – Fair Value Measurement, the Bank developed new methodology for incorporating counterparty credit risk and own credit risk into the calculation of the balance sheet amount of derivative financial instruments contracted in the over-the-counter market. This methodology includes the following main aspects:

- derivative financial instruments contracted with counterparties with which the Bank has collateralization agreements are not subject to adjustment for credit risk, to the extent that it is mitigated;

- counterparty credit risk and own credit risk adjustments relating to derivative financial instruments not collateralized are estimated using mainly historical information regarding non-performance, except for operations in which the Bank considers that the credit risk of the counterparty is comparable to the risk of the Portuguese Republic. In these cases, the adjustments for credit risk are estimated based on risk parameters implicit in the spread of Portuguese public debt against the German public debt.

At 31 December 2014 the credit risk adjustments, considered by the Bank in determining of the book value of the derivative financial instruments contracted in the OTC market, were estimated based on this new methodology, except for the cases in which individual impairment losses were recorded. In these cases the adjustments considered by the Bank correspond to the amount of the corresponding impairment.

Credit risk adjustments resulting from the application of the new methodology developed by the Bank to meet the requirements of IFRS 13 at 31 December 2014 and 31, 2013, do not differ significantly from the adjustments determined by the methodology that the Bank had already implemented.

Considering the complexity and subjectivity relating to determination of the assumptions used in the calculation of the adjustments to the credit risk of derivative financial instruments, it will continue to be monitored by the Bank in order to introduce the improvements that are identified based on practical experience in applying these methodologies.

Investment properties
The most relevant variables considered in each of the valuation methodologies used to determine the fair value of investment properties (comparative market method, income method, cost method) are the following:

i. revenue currently practiced in rented properties,
ii. revenue potentially applicable to those properties that are not rented,
iii. estimated yields applicable to each property according to its geographical location and state of preservation,
iv. cost of construction and the cost of land of the property, as well as applicable rates, and
v. sale price per square meter for properties in a similar situation.

Real estate is valued every two years and whenever there is a significant change in their value. In 2014 the management company revalued its entire real estate portfolio.

At 31 December 2014 real estate was valued based on the arithmetic average of the amounts of the valuations made by two expert independent appraisers certified by the Portuguese Stock Exchange Commission (Comissão de Mercado de Valores Imobiliários).

Financial instruments recorded in the balance sheet at amortized cost
The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by the BPI Group through valuation techniques.

Fair value may not correspond to the realizable value of these financial instruments in a sale or liquidation scenario, having not been determined for that purpose.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Loans and advances to credit institutions and Resources of other credit institutions at 31 December 2013 were discounted based on interest rate curves for interbank operations at the reference date of the financial statements. At 31 December 2014 the same procedure was used, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issues;

- in operations with Customers (Loans to Customers and Resources of Customers and other loans) the weighted average of the spreads over the reference rates used by the Bank in the previous month for similar operations is considered;

- for bonds issued (Debt securities and Subordinated debt), the Bank used the following interest rates:

  - at 31 December 2013 given the lack of other market references for Portuguese issuances, the discount factors used when computing the present value of senior bonds issued by the Bank, were estimated based on the interest rate curve of Portuguese public debt, plus a spread to reflect the differential risk of the Bank. For subordinated debt issuances the Bank used spreads based on the rates used to calculate the present value of senior bonds, increased depending on the maturity and degree of subordination. The Bank considered, as a starting point, a 5-year spread corresponding to the difference between the interest rates of the contingent convertible subordinated bonds and senior debt. The spreads considered for shorter maturities were determined assuming proportional decreases to the spread of Portuguese public debt in relation to German public debt. For contingent convertible subordinated bonds the implicit rates of the bonds themselves were used, thus obtaining fair value equal to book value;

  - at 31 December 2014 the Bank considered reference interest rates and spreads available in the market, taking into account the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used a proposal presented to the Bank by another credit institution for the issuance of perpetual subordinated debt, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts. The Bank currently has no contingent convertible subordinated bonds.

The reference rates used to calculate the discount factors at 31 December 2014 are listed in the following tables and refer to the interbank market rates and the issue proposals made to BPI:

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
EUR	0.02%	0.08%	0.17%	0.33%	0.18%	0.23%	0.37%	0.54%	0.83%	1.48%
GBP	0.50%	0.56%	0.68%	0.98%	0.93%	1.13%	1.44%	1.64%	1.84%	2.23%
USD	0.17%	0.26%	0.36%	0.63%	0.88%	1.27%	1.76%	2.03%	2.27%	2.68%
JPY	0.08%	0.11%	0.15%	0.27%	0.16%	0.18%	0.27%	0.39%	1.34%	2.40%

	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	10 years	30 years
Portguese public debt	0.42%	0.42%	0.96%	1.17%	1.45%	1.70%	1.99%	2.29%	2.59%	2.69%
German public debt	(0.06%)	(0.10%)	(0.08%)	(0.07%)	0.02%	0.05%	0.15%	0.27%	0.39%	0.54%
Spread PT / DE	0.48%	0.52%	1.03%	1.24%	1.44%	1.64%	1.84%	2.02%	2.21%	2.15%

The fair value of "Held to maturity investments" is based on market prices or third party purchase prices, when available. If these do not exist, fair value is estimated based on the discounted value of the expected cash flows of principal and interest.

The fair value of spot operations (including Cash and deposits at central banks, Deposits at other credit institutions repayable on demand and Demand deposits included in Resources of Customers and other debts) corresponds to their book value.

The fair value of financial instruments and investment properties at 31 December 2014 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	1 894 203		1 894 203	1 894 203			1 894 203
Deposits at other credit institutions	380 475		380 475	380 475			380 475
Financial assets held for trading and at fair value through profit or loss	2 727 702	2 727 702		2 727 702			2 727 702
Financial assets available for sale	7 519 691	7 519 691		7 519 691		6 087	7 525 778
Loans and advances to credit institutions	2 588 817		2 580 481[3]	2 580 481	(8 336)		2 588 817
Loans and advances to Customers	25 268 969		22 971 054[4]	22 971 054	(2 297 915)		25 268 969
Held to maturity investments	88 382		86 781[3]	86 781	(1 601)		88 382
Trading derivatives[2]	290 031	290 031		290 031			290 031
Hedging derivatives	148 693	148 693		148 693			148 693
Investment properties	154 777	154 777		154 777			154 777
	41 061 740	**10 840 894**	**27 912 994**	**38 753 888**	**(2 307 852)**	**6 087**	**41 067 827**
Liabilities							
Resources of central banks	1 561 185		1 561 038[3]	1 561 038	147		1 561 185
Financial liabilities held for trading	799	799		799			799
Resources of other credit institutions	1 372 441		1 331 914[3]	1 331 914	40 527		1 372 441
Resources of Customers and other debts	28 134 617		28 188 704[5]	28 188 704	(54 087)		28 134 617
Debt securities	2 238 074		2 275 281[3]	2 275 281	(37 207)		2 238 074
Financial liabilities relating to transferred assets	1 047 731		876 210[4]	876 210	171 521		1 047 731
Trading derivatives	325 986	325 986		325 986			325 986
Hedging derivatives	327 219	327 219		327 219			327 219
Technical provisions	4 151 830		4 151 830[3]	4 151 830			4 151 830
Other subordinated debt and participating bonds	69 521		65 622[3]	65 622	3 899		69 521
	39 229 403	**654 004**	**38 450 599**	**39 104 603**	**124 800**		**39 229 403**
	1 832 337			**(350 715)**	**(2 183 052)**	**6 087**	**1 838 424**
Valuation differences in financial assets recognised in revaluation reserves					(35 174)		
Total					**(2 218 226)**		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.
2) This caption is presented in the balance sheet as FINANCIAL ASSETS HELD FOR TRADING AND AT FAIR VALUE through profit or loss.
3) Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
5) Demand deposits valued at their nominal amount. Term deposits and other resources not payable on demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The fair value of financial instruments and investment properties at 31 December 2013 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments			Difference	Assets valued at historical cost[1]	Total book value
		Recorded in the balance sheet at fair value	Recorded in the balance sheet at amortised cost	Total			
Assets							
Cash and deposits at central banks	1 372 211		1 372 211	1 372 211			1 372 211
Deposits at other credit institutions	469 487		469 487	469 487			469 487
Financial assets held for trading and at fair value through profit or loss	1 094 061	1 094 061		1 094 061			1 094 061
Financial assets available for sale	9 616 530	9 616 530		9 616 530		7 713	9 624 243
Loans and advances to credit institutions	1 886 070		1 884 609[3]	1 884 609	(1 461)		1 886 070
Loans and advances to Customers	25 965 133		23 238 075[4]	23 238 075	(2 727 058)		25 965 133
Held to maturity investments	136 877		132 216[3]	132 216	(4 661)		136 877
Trading derivatives[2]	223 497	223 497		223 497			223 497
Hedging derivatives	194 043	194 043		194 043			194 043
Investment properties	164 949	164 949		164 949			164 949
	41 122 858	**11 293 080**	**27 096 598**	**38 389 678**	**(2 733 180)**	**7 713**	**41 130 571**
Liabilities							
Resources of central banks	4 140 068		4 140 045[3]	4 140 045	23		4 140 068
Resources of other credit institutions	1 453 249		1 455 411[3]	1 455 411	(2 162)		1 453 249
Resources of Customers and other debts	25 630 473		25 844 345[5]	25 844 345	(213 872)		25 630 473
Debt securities	2 598 455		2 520 133[3]	2 520 133	78 322		2 598 455
Financial liabilities relating to transferred assets	1 387 296		1 129 785[4]	1 129 785	257 511		1 387 296
Trading derivatives	255 245	255 245		255 245			255 245
Hedging derivatives	548 458	548 458		548 458			548 458
Technical provisions	2 689 768		2 689 768[3]	2 689 768			2 689 768
Contingent convertible subordinated bonds	920 433		920 433[3]	920 433			920 433
Other subordinated debt and participating bonds	136 931		116 261[3]	116 261	20 670		136 931
	39 760 376	**803 703**	**38 816 180**	**39 619 884**	**140 492**		**39 760 376**
	1 362 482			**(1 230 206)**	**(2 592 688)**	**7 713**	**1 370 195**
Valuation differences in financial assets recognised in revaluation reserves					(436 878)		
Total					**(3 029 566)**		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.
2) This caption is presented in the balance sheet as FINANCIAL ASSETS HELD FOR TRADING AND AT FAIR VALUE through profit or loss.
3) Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.
4) Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.
5) Demand deposits valued at their nominal amount. Term deposits and other resources not at demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at 31 December 2014, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (level 1)	Valuation techniques		Total book value
		Market data (level 2)	Models (level 3)	
Assets				
Financial assets held for trading and at fair value through profit or loss	2 434 377	37 624	255 701	2 727 702
Financial assets available for sale	4 498 510	47 075	2 974 106	7 519 691
Trading derivatives	112	30 424	259 495	290 031
Hedging derivatives	30	111 025	37 638	148 693
Investment properties			154 777	154 777
	6 933 029	**226 148**	**3 681 717**	**10 840 894**
Liabilities				
Financial liabilities held for trading	799			799
Trading derivatives	123	280 123	45 740	325 986
Hedging derivatives	170	311 399	15 650	327 219
	1 092	**591 522**	**61 390**	**654 004**

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at 31 December 2013, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (level 1)	Valuation techniques		Total book value
		Market data (level 2)	Models (level 3)	
Assets				
Financial assets held for trading and at fair value through profit or loss	892 564	48 710	153 248	1 094 522
Financial assets available for sale	6 966 267	49 495	2 600 768	9 616 530
Trading derivatives	172	29 118	194 207	223 497
Hedging derivatives	51	140 579	53 413	194 043
Investment properties			164 949	164 949
	7 859 054	**267 902**	**3 166 585**	**11 293 541**
Liabilities				
Trading derivatives	232	198 971	56 042	255 245
Hedging derivatives	29	516 868	31 561	548 458
	261	**715 839**	**87 603**	**803 703**

In 2014 and in 2013 the following securities were transferred from level 2 to level 1 due to the increase in their liquidity in the market, as a result of the increase in contributors quoting the securities with firm offers and, in the case of securities of domestic issuers, resulting from improvement in the conditions of the Portuguese Debt:

	Book value	
	31 Dec. 14	31 Dec. 13 Proforma
BANCO SABADELL-5.234%-PERPETUA	34	
CONTINENTE-7%-25.07.2015	223	
MOTA-ENGIL-6.85%-2013/2016 (BPIVida)	286	
BRISA CONCESSAO ROD.-6.25%-05.12.2014		38
SEMAPA-6.85%-30.03.2015		114
LAFARGE-6.5%-15.07.2016		7 392
CP-COMBOIOS DE PORTUGAL-4.17%-16.10.2019		45
SEMAPA-6.85%-30.03.2015		834
ZON MULTIMEDIA 2012-2015		43
INTL BK RECON.&DEVEL.-3.375%-30.04.2015		346
RABOBANK NEDERLAND-3.25%-30.06.2014		59
REN-REDES ENERG.NAC.-6.25%-21.09.2016		547
ESPIRITO SANTO FIN GRP-6.875%-21.10.2019		102
SCH FINANCE SA – TX.VR. – OB.PERP.		168
	544	**9 690**

In 2014 the following securities were transferred from level 1 to level 2 due to the decrease in their market liquidity, as a result of the decrease in contributors quoting the securities with firm offers.

	Book value
	31 Dec. 14
SEMAPA-6.85%-30.03.2015	114
ZON MULTIMEDIA 2012-2015	209
BLUEWATER HOLDINGS BV-10%-10.12.2019 (BPI OM)	219
SEADRILL LTD-TX.VR.-12.03.2018	120
SEMAPA-6.85%-30.03.2015	821
	1 484

At 31 December 2014 and 2013 financial assets held for trading and at fair value through profit or loss included in Level 3 correspond essentially to Angolan public debt. They also include bonds valued through indicative bid prices based on theoretical models or through models developed internally.

At 31 December 2014 and 2013 financial assets available for sale included in Level 3 correspond essentially to Angolan public debt securities. They also include bonds collateralized by assets (ABS's) and private equity investments.

At 31 December 2014 and 2013 trading and hedging derivatives included in Level 3 refer mainly to:

- options or swaps negotiated with Customers with an optional component and related hedging with the market;
- embedded options in structured bonds issued by Banco BPI, with remuneration indexed to baskets of shares / share indexes, commodities and exchange rates, and operations negotiated with the market to hedge the optional risk of these bonds;
- derivatives contracted in the over-the-counter market with counterparties with which the Bank does not have collaterization agreements.

The book value of financial instruments at the beginning of the reporting period was used for the presentation of transfers between levels.

For financial instruments and investment properties recorded at fair value on the balance sheet, the changes between 31 December 2013 and 31 December 2014 of assets and liabilities classified in Level 3, is made up as follows:

Financial assets and liabilities	**Held for trading and at fair value through profit or loss**	**Available for sale**	**Trading derivatives (net)**	**Hedging derivatives (net)**	**Investment properties**	**Total**
Net book value at 31 December 2013 Proforma	180 526	2 600 768	138 165	21 852	164 949	3 106 260
Accrued interest (amount at 31 December 2013)	(46)	(480)	(12 047)	5 787		(6 786)
Gain / (loss) recognized in net income:						
In net income on financial operations	5 758	42	70 226	12 062		88 088
Of wich: Potential gain / (loss)	417		70 770	9 886		81 073
Of wich: Effective gain / (loss)	5 341	42	(544)	2 176		7 015
Operational gains and losses					(2 779)	(2 779)
In impairment loss		(24 606)				(24 606)
Gain / (loss) recognized in revaluation reserves		6 602				6 602
Purchases	126 761	396 056			508	523 325
Sales / redemptions	(57 621)	(10 539)	544	(2 176)	(7 901)	(77 693)
Transfers out	(206)	(3)				(209)
Transfers in	505	5 616				6 121
Accrued interest (amount at 31 December 2014)	24	650	16 867	(15 537)		2 004
Net book value at 31 December 2014	**255 701**	**2 974 106**	**213 755**	**21 988**	**154 777**	**3 465 550**

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

The purchase of assets held for trading and at fair value through profit or loss and assets available for sale corresponds mainly to public debt securities of Angola and of Banco Nacional de Angola through Banco de Fomento Angola.

Transfers to other levels of financial assets held for trading and at fair value through profit or loss correspond to transfers to level 2, due to the fact that their valuation is now based on observable market data. Transfers to other levels of assets available for sale correspond to transfers to assets stated at historical cost.

Transfers from other levels of assets available for sale include (i) 3 515 th. euro relating to securities transferred from level 1, due to the fact that possible valuation prices do not reflect prices in an active market with transactions occurring on a regular basis, (ii) 849 th. euro transferred from level 2, due to the fact that there are no longer consistent market data for their valuation, and (iii) 1 757 th. euro relating to securities transferred from assets stated at historical cost.

Potential gains on trading derivatives relate primarily to the revaluation of transactions with Customers, which are offset by other derivatives included in level 2.

For financial instruments and investment properties recorded at fair value on the balance sheet, the changes between 31 December 2012 and 31 December 2013 in assets and liabilities classified in Level 3, are made up as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Investment properties	Total
Net book value at 31 December 2012 Proforma	195 336	2 237 628	171	36 981	169 606	2 639 722
Accrued interest (amount at 31 December 2012)	(64)	(1 053)	569	6 285		5 737
Gain / (loss) recognized in net income:						
In net income on financial operations	2 129	(53)	(31 684)	(10 662)		(40 270)
Of wich: Potential gain / (loss)	234		(2 528)	(15 713)		(18 007)
Of wich: Effective gain / (loss)	1 895	(53)	(29 156)	5 051		(22 263)
Operational gains and losses					(2 523)	(2 523)
In impairment loss		(3 186)				(3 186)
Gain / (loss) recognized in revaluation reserves		(5 477)				(5 477)
Purchases	46 994	511 871			13	558 878
Sales / redemptions	(63 913)	(139 442)	29 156	(5 051)	(2 147)	(181 397)
Transfers in			127 906	86		127 992
Accrued interest (amount at 31 December 2013)	46	480	12 047	(5 787)		6 786
Net book value at 31 December 2013 Proforma	**180 526**	**2 600 768**	**138 165**	**21 852**	**164 949**	**3 106 260**

Note: The effective gain / (loss) on derivatives corresponds to amounts paid / received in the course of early settlement of the operations.

Sales / redemptions of assets held for trading and at fair value through profit or loss correspond mainly to public debt securities issued by Angola and by Banco Nacional de Angola held by Banco de Fomento Angola that have matured.

The purchase of assets available for sale corresponds mostly to public debt securities issued by Angola and by Banco Nacional de Angola (BNA), acquired by Banco de Fomento Angola.

Sales / redemptions of assets available for sale include 52 106 th. euro relating to the sale of participating units in Fundo de Reestruturação Empresarial and 50 688 th. euro relating to the redemption of bonds of ANA – Aeroportos de Portugal.

Transfers from other levels correspond to the entry into force in 2013 of IFRS 13 and refer to derivative financial instruments contracted with counterparties with which the Bank does not have collateralization agreements. As explained earlier in this note, these instruments are considered in the new methodology developed by the Bank in 2013 to incorporate counterparty credit risk and own credit risk, which is estimated using mainly historical information regarding non-performance.

Derecognition of financial instruments

In 2014 and in 2013 no financial instruments for which it was not possible to reliably determine their fair value were derecognized and so there was no impact on net income for the period arising from this.

Reclassification of financial assets

The BPI Group reclassified bonds from Financial assets held for trading to Loans and advances to Customers (note 4.7) and Held to maturity investments (note 4.8) and from Financial assets available for sale (note 4.5) to Loans and advances to Customers (note 4.7), as follows:

	31 Dec. 14			31 Dec. 13			Effective interest rate on reclassi-fication date
	Book value on reclassification date	Book value at 31 Dec. 14	Fair value at 31 Dec. 14	Book value on reclassification date	Book value at 31 Dec. 13	Fair value at 31 Dec. 13	
Reclassification of bonds in 2008							
Financial assets held for trading	(53 730)			(57 928)			
Loans represented by securities	31 804	21 129	19 005	36 002	36 592	22 621	6.37%
Held to maturity investments	21 926	23 783	22 362	21 926	23 744	19 603	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading	(3 237)			(3 267)			
Loans represented by securities	201	255	329	231	282	371	5.34%
Held to maturity investments	3 036	4 594	4 384	3 036	4 585	3 898	5.98%
Reclassification of bonds in 2012							
Financial assets at fair value through profit or loss	(7 699)			(7 699)			
Loans represented by securities	7 699	7 668	7 616	7 699	7 665	7 293	2.78%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)			(4 093)			
Loans represented by securities	4 093	4 450	3 410	4 093	3 891	3 002	1.94%
		61 879	**57 106**		**76 759**	**56 788**	

In 2009 and 2008, in the context of the lack of liquidity in the bond market, the valuation prices that can be obtained for these securities did not reflect the prices on an active market traded on a regular basis. Therefore, the BPI Group decided to reclassify these bonds from financial assets held for trading to loans and advances to Customers and held to maturity investments. To determine the fair value of the financial assets available for sale, alternative valuation methods were used as described previously in this note.

In 2012 a security recorded in the financial assets at fair value through profit or loss portfolio was reclassified to the loans to Customers' portfolio as, due to the lack of liquidity of the bond market, its valuation did not reflect the price on an active market with regular transactions.

In 2013 a security recorded in the financial assets available for sale portfolio was reclassified to the loans to Customers portfolio as, due to the lack of liquidity, its valuation did not reflect the price on an active market with regular transactions.

For purposes of determining the effective interest rate of the reclassified assets at their reclassification date, the BPI Group estimated that it would recover all future cash flows relating to the reclassified securities.

After the reclassification date, the gain / (loss) relating to fair value changes of these securities not recognized in the statement of income in 2014 and in 2013 and other gain / (loss) recognized in reserves and in the statement of income for these years for the securities reclassified from financial assets held for trading, were as follows:

	31 Dec. 14			31 Dec. 13		
	Gain / (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in		Gain / (loss) associated with fair value changes not recognized in the statement of income	Other gain / (loss) recognized in	
		Reserves	Statements of income		Reserves	Statements of income
Financial assets available for sale			3	2	2	19
Loans represented by securities	(64)		(9 374)	4 404		1 614
Held-to-maturity investments	3 197		210	1 717		430
	3 133		**(9 161)**	**6 123**	**2**	**2 063**

The amounts of gain / (loss) relating to fair value changes not recognized in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the "Financial assets held for trading" portfolio. Part of these amounts would be offset by opposite results under the caption TECHNICAL PROVISIONS, namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in other gain / (loss) recognized in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognized in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors' Report, presented together with the notes to Banco BPI's financial statements, also includes a section relating to "Risk management", which contains additional information about the nature and extent of the BPI Group's financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at 31 December 2014, excluding the insurance capitalization portfolios of BPI Vida e Pensões, was as follows:

BPI Group excluding insurance capitalization portfolios	Nominal value	Net book value / fair value	Net gain / (loss) on securities	Hedge accounting effect	Impairment recognized
Held for trading and at fair value through profit or loss	**82 208**	**82 207**	**67**		
Portugal	82 208	82 207	67		
Available for sale	**3 231 049**	**3 352 382**	**82 711**	**(108 360)**	
Portugal	3 231 049	3 352 382	82 711	(108 360)	
Total exposure	**3 313 257**	**3 434 589**	**82 778**	**(108 360)**	

Fair value was determined based on prices in international markets, the unrealized gains / (losses) and hedge accounting effect being reflected in specific reserve captions or in the statement of income, depending on whether the securities are classified in the available for sale securities portfolio or in the held for trading securities portfolio, respectively. In the case of the exposure to Portugal, the BPI Group considers that at 31 December 2014 there was no objective evidence of impairment.

In 2014 the BPI Group sold bonds issued by Portuguese government entities with a nominal value of 850 000 th. euro. In 2013 Banco BPI sold its whole position in government bonds issued by Ireland.

At 31 December 2014 the BPI Group had no exposure to Greek sovereign debt. The BPI Group has in the financial assets available for sale portfolio, OTE PLC bonds (Hellenic Telecommunications Organization), the leading telecom operator in Greece, in the amount of 25 926 th. euro and KION MORTGAGE Class A bonds (securitization of mortgage loans originated by the Greek Millennium bank) in the amount of 67 th. euro (note 4.5).

The BPI Group's exposure, excluding the insurance capitalization portfolios of BPI Vida e Pensões, to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at 31 December 2014 is as follows, by residual period to maturity:

Maturity	2015	2016 to 2020	> 2021	Total
Portugal	2 547 214	885 473	1 902	3 434 589
	2 547 214	**885 473**	**1 902**	**3 434 589**

The ratings of Portugal and Greece are the following:

	31 Dec. 14			31 Dec. 13		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BB	Ba1	BB+	BB	Ba3	BB+
Greece	B-	Caa1	B	B-	Caa3	B-

In addition, at 31 December 2014, some insurance capitalization portfolios of BPI Vida e Pensões, fully consolidated in the financial statements of the BPI Group, held Portuguese and Greek sovereign debt bonds.

Insurance capitalization portfolios	Nominal value	Net book value	Market value	Impairment
Held for trading and at fair value through profit or loss	**124 562**	**83 454**	**83 454**	
Portugal	79 202	83 153	83 153	
Greece	45 360	301	301	
Loans and other receivables	**100 000**	**101 033**	**99 983**	
Portugal	100 000	101 033	99 983	
Total exposure	**224 562**	**184 487**	**183 437**	

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal and Greece, at 31 December 2014 is made up as follows, by residual period of maturity:

Maturity	2015	2016 to 2020	> 2021	Total
Portugal	99 793	84 075	318	184 186
Greece			301	301
	99 793	**84 075**	**619**	**184 487**

Credit risk

Maximum exposure to credit risk

Credit risk is one of the most significant risks of the BPI Group's operations. More information about this risk, particularly about the management process for the various segments of credit, can be found in the section "Risk Management" in the Directors' Report.

Maximum exposure to credit risk at 31 December 2014, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	380 475		380 475
Financial assets held for trading and at fair value through profit or loss	2 727 702		2 727 702
Financial assets available for sale	7 637 902	(112 124)	7 525 778
Loans and advances to credit institutions	2 588 819	(2)	2 588 817
Loans and advances to Customers	26 305 630	(1 036 661)	25 268 969
Held to maturity investments	88 382		88 382
Derivatives			
Hedging derivatives	148 693		148 693
Trading derivatives[1]	290 031		290 031
	40 167 634	**(1 148 787)**	**39 018 847**
Off balance sheet items			
Guarantees given	1 826 825	(37 761)	1 789 064
Irrevocable credit lines	1 598	(798)	800
	1 828 423	**(38 559)**	**1 789 864**
	41 996 057	**(1 187 346)**	**40 808 711**

1) This caption is presented in the balance sheet as FINANCIAL ASSETS HELD FOR TRADING AND AT FAIR VALUE through profit or loss.

Maximum exposure to credit risk at 31 December 2013 Proforma, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	469 487		469 487
Financial assets held for trading and at fair value through profit or loss	1 094 061		1 094 061
Financial assets available for sale	9 710 914	(86 671)	9 624 243
Loans and advances to credit institutions	1 886 072	(2)	1 886 070
Loans and advances to Customers	26 897 068	(931 935)	25 965 133
Held to maturity investments	136 877		136 877
Derivatives			
Hedging derivatives	194 043		194 043
Trading derivatives[1]	223 497		223 497
	40 612 019	**(1 018 608)**	**39 593 411**
Off balance sheet items			
Guarantees given	1 832 700	(46 124)	1 786 576
Irrevocable credit lines	1 960	(642)	1 318
	1 834 660	**(46 766)**	**1 787 894**
	42 446 679	**(1 065 374)**	**41 381 305**

1) This caption is presented in the balance sheet as FINANCIAL ASSETS HELD FOR TRADING AND AT FAIR VALUE through profit or loss.

Breakdown of overdue loans

Overdue loans and interest at 31 December 2014, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	6 521	20 756	36 807	422 674	108 036	594 794
Impairment	(4 340)	(4 928)	(15 244)	(255 269)	(81 850)	(361 631)
	2 181	**15 828**	**21 563**	**167 405**	**26 186**	**233 163**
Subject to collective assessment						
Overdue loans and interest	1 706	6 439	44 206	291 587	104 961	448 899
Impairment	(34)	(1 889)	(18 167)	(144 176)	(65 455)	(229 721)
	1 672	**4 550**	**26 039**	**147 411**	**39 506**	**219 178**

In addition, at 31 December 2014 collective impairment of 445 311 th. euro was recognized on performing loans to Customers and loans and advances to credit institutions.

Overdue loans and interest at 31 December 2013 Proforma, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	1 299	12 534	127 107	316 309	81 866	539 115
Impairment	(109)	(6 302)	(76 921)	(158 432)	(62 351)	(304 115)
	1 190	**6 232**	**50 186**	**157 877**	**19 515**	**235 000**
Subject to collective assessment						
Overdue loans and interest	95	6 137	53 860	320 887	77 135	458 114
Impairment	(53)	(1 708)	(21 956)	(150 889)	(40 831)	(215 437)
	42	**4 429**	**31 904**	**169 998**	**36 304**	**242 677**

In addition, at 31 December 2013, collective impairment of 412 383 th. euro was recognized on performing loans to Customers and loans and advances to credit institutions.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- housing mortgages;
- mortgage of buildings and land;
- deposit of assets;
- pledge of securities;
- guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI's units using methods considered appropriate.

The coverage of overdue loans by collateral received at 31 December 2014 was as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral[2]	
≥ 100%	116 327	162 174	278 501	275 568	2 933	98 064
≥ 75% and <100%	75 403	151 051	226 454	197 944	6 627	80 275
≥ 50% and <75%	2 258	62 112	64 370	41 983	361	29 709
≥ 25% and <50%	1 218	29 330	30 548	9 479	1 773	14 092
≥ 0 and <25%	73 738	21 028	94 766	1 427	4 749	40 539
Without collateral	151 864	617 998	769 862			489 865
Total	**420 808**	**1 043 693**	**1 464 501**	**526 401**	**16 443**	**752 544**

1) The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at 31 December 2014.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The amount of impairment shown includes 161 192 th. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2014 was as follows:

	Loans with impairment	Collateral[1]		Impairment[3]
Coverage	**Performing loans**	**Mortgages**	**Other collateral[2]**	
Loans not represented by securities				
≥ 100%	127 242	117 433	9 810	17 586
≥ 75% and <100%	13 525	9 126	2 492	5 771
≥ 50% and <75%	25 467	14 569	692	5 925
≥ 25% and <50%	45 181	4 090	13 909	2 086
≥ 0 and <25%	35 735	333	1 609	3 986
Without collateral	438 618			94 411
	685 768	**145 551**	**28 512**	**129 765**
Loans represented by securities				
Without collateral	7 929			3 430
Guarantees provided				
≥ 100%	16 100	11 800	4 300	1 288
≥ 50% and <75%	3 440	1 692	104	1 652
≥ 25% and <50%	2 219	696	34	443
≥ 0 and <25%	672	11	11	3
Without collateral	152 203			34 883
	174 634	**14 199**	**4 449**	**38 269**
	868 331	**159 750**	**32 961**	**171 464**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2014.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

At 31 December 2014, the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Fair value of the collateral	Corporate				Construction and CRE				Housing			
	Properties		Other real collateral[1]		Properties		Other real collateral[1]		Properties		Other real collateral[1]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M.€	749	129 178	1 822	97 110	1 569	193 860	3 962	71 669	146 511	19 222 554	2 882	83 654
≥ 0.5 M.€ and < 1 M.€	174	123 975	81	55 699	119	82 534	16	10 301	709	444 746	6	3 485
≥ 1 M.€ and < 5 M.€	257	547 147	95	195 136	78	150 365	10	15 986	63	86 433	1	1 040
≥ 5 M.€ and < 10 M.€	47	329 110	9	59 917	2	10 617	1	8 069				
≥ 10 M.€ and < 20 M.€	20	263 863	11	155 812	1	11 356						
≥ 20 M.€ and < 50 M.€	7	178 508	16	388 979	2	42 691						
≥ 50 M.€	1	62 873	1	59 000	4	397 842						
Total	**1 255**	**1 634 655**	**2 035**	**1 011 652**	**1 775**	**889 264**	**3 989**	**106 025**	**147 283**	**19 753 733**	**2 889**	**88 179**

1) Includes financial collateral (shares, bonds, deposits) and other assets.

At 31 December 2014, the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without associated collateral		3 997 491	38 982	172 819	284 804
< 60%	794	310 654	20 453	39 494	23 852
≥ 60% and <80%	172	236 561	10 383	5 090	9 178
≥ 80% and <100%	72	140 404	1 066	5 957	6 670
≥ 100%	217	1 078 970	44 867	56 242	91 333
Construction and CRE					
Without associated collateral		296 361	17 325	38 313	41 737
< 60%	1 278	81 899	7 149	120 830	62 329
≥ 60% and <80%	216	36 020	3 974	8 677	6 281
≥ 80% and <100%	84	34 632	589	8 075	4 050
≥ 100%	197	42 830	14 037	26 001	26 740
Housing					
Without associated collateral		4 416	168	16 680	14 076
< 60%	71 387	3 335 724	49 344	53 577	24 749
≥ 60% and <80%	30 262	2 670 762	50 205	70 150	38 348
≥ 80% and <100%	30 743	3 177 074	64 126	121 422	65 713
≥ 100%	14 891	1 450 195	45 488	233 276	102 949
	150 313	**16 893 993**	**368 155**	**976 603**	**802 808**

The coverage of overdue loans by collateral received at 31 December 2013 Proforma was as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral[2]	
≥ 100%	104 109	179 552	283 661	280 723	2 938	91 583
≥ 75% and <100%	72 730	151 158	223 888	195 376	6 142	71 940
≥ 50% and <75%	2 510	49 391	51 901	33 668	473	21 432
≥ 25% and <50%	529	13 953	14 482	5 114	155	9 214
≥ 0 and <25%	40 563	9 732	50 295	869	2 766	16 616
Without collateral	174 435	593 443	767 878			447 623
Total	**394 876**	**997 229**	**1 392 105**	**515 750**	**12 474**	**658 408**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2013.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The value of impairment shown includes 138 856 th. euro relating to performing loans associated with defaulting loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2013 Proforma was as follows:

Loans with impairment		Collateral[1]		Impairment[3]
Coverage	Performing loans	Mortgages	Other collateral[2]	
Loans not represented by securities				
≥ 100%	155 044	145 499	9 545	20 258
≥ 75% and <100%	16 062	9 160	4 627	5 807
≥ 50% and <75%	19 171	11 077	210	2 420
≥ 25% and <50%	44 216	3 538	13 939	2 382
≥ 0 and <25%	35 628	362	1 411	4 014
Without collateral	465 669			91 634
	735 790	**169 636**	**29 732**	**126 515**
Loans represented by securities				
Without collateral	7 729			4 205
Guarantees provided				
≥ 100%	14 678	10 492	4 186	1 232
≥ 75% and <100%	49		49	2
≥ 50% and <75%	245	58	100	50
≥ 25% and <50%	2 216	696	27	442
≥ 0 and <25%	29 545	11	392	9 786
Without collateral	130 755			21 659
	177 488	**11 257**	**4 754**	**33 171**
	921 007	**180 893**	**34 486**	**163 891**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2013.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

Encumbered Assets

This note includes information on encumbered and unencumbered assets, as defined by Bank of Portugal Instruction 28 / 2014, of 23 December. Banco BPI decided in this first report, to disclose the amounts recorded at 31 December 2014 (rather than the median of the values in the previous 12 months), as provided for in Title II of EBA Guidelines (EBA / GL / 2014 / 03). The information presented below refers to the prudential supervision perimeter, as defined in Regulation (EU) 575 / 2013, CRD IV / CRR.

An asset is considered to be encumbered when it is explicitly or implicitly given as collateral or is subject to an agreement to ensure its collateralization or improve the quality of credit in any operation from which it cannot be freely withdrawn.

At 31 December 2014 encumbered and unencumbered assets were as follows:

	Book value	Fair value
ENCUMBERED ASSETS		
Portuguese public debt securities		
European Investment Bank (EIB) funding	1 396 632	1 396 632
Sales operations with repurchase agreement	103 118	103 118
Commitment to the Deposit Guarantee Fund and to the Investor Indemnity System	52 054	52 054
Total portuguese public debt	**1 551 804**	**1 551 804**
Loans		
European Central Bank (ECB) funding collateralized by mortage bonds	2 941 433	
Bonds collateralized with mortage loans	2 108 075	
Bonds collateralized with administrative public sector loans	252 136	
Securitization operations	1 050 510	
Total loans	**6 352 155**	
Other assets		
Collateral associated to derivatives	538 333	
Other collateral	143 023	
Total other assets	**681 356**	
Encumbered assets total amount	**8 585 315**	**1 551 804**
UNENCUMBERED ASSETS		
Equity instruments	567 650	567 650
Debt instruments	3 787 274	3 787 274
Other assets	25 434 277	
Unencumbered assets total amount	**29 789 201**	**4 354 924**

Note: Does not include the fair value of assets recorded at amortized cost.

The encumbered assets included in this table correspond to operations made as guarantee or pledged as collateral, without being derecognized as a Bank asset, such as securities given in repo operations and assets supporting collateralized bond issuances.

At 31 December 2014 the fair value of the encumbered collateral received was made up as follows:

Collateral received	Fair value of the received collateral	
	Encumbered	**Free**
Debt instruments		
Reports (reverse repurchase agreement)		
Public debt	65 706	
Financial companies	7 121	
Non-financial companies	11 130	999
Total debt instruments	**83 956**	**999**
Other assets (derivatives)	8 144	
Encumbered received collateral total amount	**92 100**	**999**

This table includes collateral received that does not meet the requirements for recognition in the balance sheet, such as securities received as collateral for repo transactions. These assets may or may not be reusable and given as collateral in other operations.

At 31 December 2014, liabilities associated with encumbered assets and collateral received were as follows:

Encumbrance sources	Associated and contingent liabilities	Assets and received collateral
Financial liabilities		
Derivatives	663 403	548 797
Deposits		
European Central Bank funding	1 515 883	2 941 433
European Investment Bank funding	707 804	1 521 394
Sales operations with repurchase agreement	175 669	187 075
Other deposits	56 352	13 476
Issued securities		
Bonds collateralized with mortage loans	1 433 366	2 108 075
Bonds collateralized with administrative public sector loans	149 988	252 136
Securitization operations	1 020 881	1 050 510
Total	**5 723 346**	**8 622 897**
Other encumbrance sources		
Commitment to the Deposit Guarantee Fund	38 714	47 077
Commitment to the Investor Indemnity System	9 126	4 977
Contingent liquidity facility account		2 464
Total	**47 840**	**54 518**
Encumbrance sources total amount	**5 771 186**	**8 677 415**

Significance of the encumbrance of assets in the BPI Group's financing policy

The encumbrance of assets can be made for several reasons, namely:

- the existence of legal requirements such as the case of assets pledged to the Deposit Guarantee Fund and to the Investor Indemnity System;
- the existence of an initial margin or trading margin underlying derivative financial instrument operations;
- the existence of operational funding needs.

The main reason for Banco BPI giving assets as guarantee is due to its liquidity needs and financing obtained, namely:

- from European Central Bank;
- from European Investment Bank;
- through mortgage bonds and bonds over the Public Sector and securitization of credit placed on the market; and
- through repos over securities included in the Group's own portfolio.

Assets are not considered as encumbered if they are included in the liquidity pool deposited with the European Central Bank and not used, or if they are credit operations associated with mortgage bonds and bonds over the Public Sector and securitization of credit not placed on the market.

Credit risk quality (rating)

This section presents information concerning the quality of the credit risk of the BPI Group's main financial assets, excluding derivatives which are analyzed in detail in note 4.4. In the case of financial assets with ratings assigned by the international rating agencies (Moody, Standard & Poor and Fitch) the rules set in the prudential regulations issued by the Bank of Portugal were followed, selecting the second best in the case of different external ratings for the same instrument. When no specific external ratings were found, Banco BPI used external ratings assigned by the issuer of instruments with the same degree of subordination. In the case of local authorities, banks and other similar institutions, the ratings used are based on the external ratings assigned to the State where the entity has its headquarters. External rating is an important element to consider in the management of positions, especially in security portfolios, and is also used for calculating weights used to determine prudential capital by the standard method, in accordance with the regulations issued by the Bank of Portugal.

Loan exposures without external ratings were distributed by quality levels (project finance), rating classes (for company and entrepreneurs and business exposures), or by scorings (private Customer exposure). External and internal ratings, where they exist, are an indicator of increasing importance to the BPI Group's internal management of loans, being used by the teams responsible for monitoring Customers in order to inform the decisions regarding new loans or the situation of existing exposure. This internal classification does not include all the Group's exposure, namely it excludes sovereign exposures or exposure to other banks, in which case external ratings are used and the loans granted locally by Banco de Fomento de Angola which uses its own methodologies.

As from 2013 the distribution of exposures of the entrepreneur and business segment is presented in accordance with the classification of the counterparties by the current internal rating system of the BPI Group.

Actual internal ratings and scorings include ten classes for regular operations, from E01 / N01 / 01 (less probability of default) to E10 / N10 / 10 (more probability of default); two classes (ED1 / ND1 / D01 and ED2 / ND2 / D02) for "incidents" (delays in payment of less than 60 and 90 days, respectively) and finally one class for default (ED3 / ND3 / D03), when delay in payment of a given amount by a counterparty exceeds 90 days.

Project finance operations have a separate internal classification from other loan operations due to their specific nature, so that at any moment the quality of the credit risk can be determined (from Weak to Strong).

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2014 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	305 909		305 909
		A+ to A-	610 477		610 477
		BBB+ to BBB-	379 460		379 460
		BB+ to BB-	1 552 660		1 552 660
		B+ to B-	44 781	2	44 779
		< B-	4		4
	N/D	N/D	936		936
			2 894 227	**2**	**2 894 225**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2014 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	External rating	AAA to AA-	8 242		8 242
		A+ to A-	167 734	986	166 748
		BBB+ to BBB-	274 715		274 715
		BB+ to BB-	1 707 567	411	1 707 156
		B+ to B-	77 027		77 027
		< B-	11 800		11 800
	Project finance rating	Strong	133 133		133 133
		Good	840 481	193	840 288
		Satisfactory	258 480	812	257 668
		Weak	238 580	25 648	212 932
	Internal rating	E01 to E03	609 846	2 675	607 171
		E04 to E06	2 202 826	9 115	2 193 711
		E07 to E10	1 289 722	70 036	1 219 686
		ED1 to ED3	564 945	326 524	238 421
	Entrepreneurs and business rating	N01 to N03	37 501	261	37 240
		N04 to N06	385 737	2 805	382 932
		N07 to N10	627 832	11 054	616 778
		ND1 to ND3	202 911	110 558	92 353
	Scoring	01 to 03	7 803 000	12 835	7 790 165
		04 to 06	2 527 555	10 738	2 516 817
		07 to 10	1 132 511	24 384	1 108 127
		D01 to D03	684 113	232 371	451 742
	N/D	N/D	4 430 467	195 255	4 235 212
			26 216 725	**1 036 661**	**25 180 064**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The securities portfolio, by ratings, at 31 December 2014 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	160 122		160 122
		A+ to A-	179 789		179 789
		BBB+ to BBB-	2 280 903	29	2 280 874
		BB+ to BB-	6 630 595	287	6 630 308
		B+ to B-	79 223		79 223
		< B-	1 709		1 709
	N/D	N/D	1 121 595	111 808	1 009 787
			10 453 936	**112 124**	**10 341 812**

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2013 Proforma were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	1 112 884		1 112 884
		A+ to A-	38		38
		BBB+ to BBB-	283 836	1	283 835
		BB+ to BB-	883 677		883 677
		B+ to B-	2 716	1	2 715
	N/D	N/D	505		505
			2 283 656	**2**	**2 283 654**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2013 Proforma were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to Customers	External rating	AAA to AA-	7 256		7 256
		A+ to A-	29 611		29 611
		BBB+ to BBB-	381 812	662	381 150
		BB+ to BB-	1 889 877	379	1 889 498
		B+ to B-	87 473		87 473
		< B-	264 020		264 020
	Project finance rating	Strong	152 420		152 420
		Good	895 771	187	895 584
		Satisfactory	285 508	174	285 334
		Weak	338 541	19 793	318 748
	Internal rating	E01 to E03	815 101	2 939	812 162
		E04 to E06	2 177 238	8 251	2 168 987
		E07 to E10	1 543 409	68 452	1 474 957
		ED1 to ED3	722 365	319 955	402 410
	Entrepreneurs and business rating	N01 to N03	40 339	332	40 007
		N04 to N06	390 049	3 106	386 943
		N07 to N10	606 529	10 033	596 496
		ND1 to ND3	251 583	115 199	136 384
	Scoring	01 to 03	8 015 555	14 262	8 001 293
		04 to 06	2 718 601	10 733	2 707 868
		07 to 10	1 179 173	22 633	1 156 540
		D01 to D03	655 580	205 568	450 012
	N/D	N/D	3 364 944	129 277	3 235 667
			26 812 755	**931 935**	**25 880 820**

Note: Gross exposure corresponds to the nominal value adjusted for value corrections.

The Securities portfolio, by ratings, at 31 December 2013 Proforma was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	100 765		100 765
		A+ to A-	183 959		183 959
		BBB+ to BBB-	1 742 669		1 742 669
		BB+ to BB-	7 858 020	232	7 857 788
		B+ to B-	117 951	29	117 922
		< B-	1 913		1 913
	N/D	N/D	936 000	86 410	849 590
			10 941 277	**86 671**	**10 854 606**

Restructured loans

At 31 December 2014 and 2013 the restructured loan operations were identified in accordance with Bank of Portugal Instruction 32 / 2013 (which replaces Instruction 18 / 2012) which defines restructured loans due to financial difficulties of the Customer.

In accordance with the Instruction, institutions must identify and mark in their information systems, loan contracts with Customers in situations of financial difficulty, whenever there are changes to the terms and conditions of the contracts (namely, extension of the repayment term, introduction of grace periods, capitalization of interest, reduction of interest rates, waiver of interest or capital), or the institution agrees to grant new credit facilities for total or partial payment of the existing debt service, and for this purpose include the words "restructured loans due to financial difficulty of the Customer".

A Customer is considered to be in a position of financial difficulty when it has failed to fulfill any of its financial obligations to the institution or if it is foreseeable that this will occur, given the information available.

A loan operation which is restructured due to financial difficulty of the Customer can only be demarked after a minimum period of two years from the date it is restructured, provided that certain conditions are met cumulatively.

The following restructured loan operations have been identified for domestic operations of the BPI Group at 31 December 2014 and 2013:

	31 Dec. 14				31 Dec. 13 Proforma			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Companies	1 001 526	309 094	1 310 620	331 801	1 036 054	224 667	1 260 722	266 667
Loans to individuals								
Housing	191 624	53 396	245 020	64 145	142 726	43 359	186 085	48 719
Other loans	60 662	14 077	74 738	18 783	62 754	13 479	76 233	14 426
	1 253 811	**376 567**	**1 630 378**	**414 729**	**1 241 534**	**281 505**	**1 523 039**	**329 811**

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were:

- in the case of interest depending on market indices or other references which are only identifiable on a future date (such as interest based on the Euribor) assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2014 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at central banks	1 894 186						1 894 186
Deposits at other credit institutions	314 923	65 552					380 475
Financial assets held for trading and at fair value through profit or loss		1 284 167	388 437	246 797	163 839	644 462	2 727 702
Financial assets available for sale		1 236 292	2 452 511	3 514 197	6 591	428 311	7 637 902
Held-to-maturity investments		62 806	8 504	17 022			88 332
Loans and advances to credit institutions		2 317 000	180 716	81 543	45		2 579 304
Loans and advances to Customers		2 854 730	2 798 255	7 326 164	12 148 841	1 044 079	26 172 068
Hedging derivatives[1]		2 175 141	4 637 586	5 901 050	165 625		12 879 402
Trading derivatives[1]		541 823	1 042 019	2 611 175	2 780 367		6 975 384
Contractual interest cash flows of derivatives		65 512	100 776	237 799	190 816		594 903
Contractual interest cash flows of other assets	17	217 624	513 135	2 101 655	2 358 500		5 190 931
	2 209 126	**10 820 646**	**12 121 939**	**22 037 403**	**17 814 625**	**2 116 852**	**67 120 590**
Liabilities							
Resources of central banks		1 134 652		410 650			1 545 302
Financial liabilities held for trading					799		799
Resources of other credit institutions		373 923	112 862	143 872	724 331		1 354 988
Resources of Customers and other debts	10 188 124	6 033 243	7 280 015	3 525 969	842 563		27 869 914
Debt securities		798 487	152 148	1 238 073	20 020		2 208 728
Financial liabilities relating to transferred assets			638 296	410 066			1 048 362
Hedging derivatives[1]		2 175 058	4 617 819	5 898 447	166 186		12 857 510
Trading derivatives[1]		532 302	1 036 568	2 594 480	2 792 247		6 955 597
Technical provisions		387 089	1 108 701	817 869	1 838 172		4 151 830
Other subordinated debt and participating bonds		58 661		10 778			69 439
Contractual interest cash flows of derivatives		46 583	130 009	410 017	164 325		750 933
Contractual interest cash flows of other liabilities		110 892	49 001	157 065	90 943		407 902
	10 188 124	**11 650 889**	**15 125 418**	**15 617 286**	**6 639 586**		**59 221 303**

1) Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2013 Proforma were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at central banks	1 372 183						1 372 183
Deposits at other credit institutions	399 593	69 891					469 484
Financial assets held for trading and at fair value through profit or loss		246 230	148 707	82 510	149 908	466 706	1 094 061
Financial assets available for sale		1 278 464	3 033 808	2 229 997	2 756 636	412 009	9 710 914
Held-to-maturity investments		11 964	44 168	79 771	399		136 302
Loans and advances to credit institutions		1 856 203		27 816	44		1 884 063
Loans and advances to Customers		3 373 800	2 549 899	7 312 305	12 545 599	997 230	26 778 833
Hedging derivatives[1]		1 051 572	4 616 743	6 831 764	2 913 730		15 413 808
Trading derivatives[1]		525 477	2 153 960	3 793 523	1 636 005		8 108 965
Contractual interest cash flows of derivatives		72 530	133 799	383 167	244 054		833 549
Contractual interest cash flows of other assets	31	759 349	736 006	2 563 431	2 292 564		6 351 380
	1 771 807	**9 245 480**	**13 417 089**	**23 304 284**	**22 538 939**	**1 875 945**	**72 153 543**
Liabilities							
Resources of central banks		73 962	10 578	4 000 000			4 084 540
Resources of other credit institutions		1 189 306	57 645	140 031	57 004		1 443 986
Resources of Customers and other debts	8 050 286	6 035 639	6 773 212	4 256 211	303 710		25 419 058
Debt securities		107 127	467 405	1 885 674	68 354		2 528 560
Financial liabilities relating to transferred assets			487 576	900 822			1 388 398
Hedging derivatives[1]		1 052 434	4 616 711	6 831 341	2 910 863		15 411 349
Trading derivatives[1]		530 887	2 149 547	3 794 322	1 651 433		8 126 188
Technical provisions		288 760	826 593	803 007	771 408		2 689 768
Contingent convertible subordinated bonds				920 000			920 000
Other subordinated debt and participating bonds		59 245	25 295	52 231			136 771
Contractual interest cash flows of derivatives		58 577	211 723	726 304	294 255		1 290 859
Contractual interest cash flows of other liabilities		89 601	192 950	460 264	70 985		813 801
	8 050 286	**9 485 538**	**15 819 235**	**24 770 208**	**6 128 012**		**64 253 279**

1) Includes the notional amount of swap operations.

The Bank continuously tracks the evolution of its liquidity, monitoring the incoming and outgoing of funds in real time. Projections of liquidity are carried out periodically in order to help plan the short and medium term funding strategy. In 2014 the BPI Group carried out an exchange of subordinated debt and preference shares for Banco BPI shares resulting in a nominal value repurchase of 115 758 th. euro. In March and June 2014 the Bank made an early repayment of 500 000 th. euro and 420 000 th. euro, respectively, of the Contingent Convertible Subordinated Bonds, settling the total amount of the outstanding debt. The securities portfolio was subject to sales in the amount of 1 335 000 th. euro. Net funding obtained from the ECB in the amount of 4 000 000 th. euro in December 2013 was reduced to 1 500 000 th. euro in December 2014, with scheduled maturity for 2015 and the possibility of early repayment. At 31 December the Bank had a portfolio of assets eligible for obtaining funding from the ECB, totalling 9 393 848 th. euro net of ECB valuation margins. This amount includes 6 419 859 th. euro available for immediate use.

More information about the management of liquidity risks of the BPI Group is contained in the "Liquidity risk" section of the Directors' Report.

Market Risk

Market risk (interest rate, exchange rate, share price, commodity price and spread) is defined as the potential to incur losses due to unexpected changes in the price of instruments or operations ("price" includes index value, interest rate or exchange rate). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as a reference.

The Executive Board for Global Risks (EBGR) is responsible for managing the BPI Group's market risk and differentiates between the trading portfolio (trading) and the remaining businesses. In the specific case of exchange risk, the assessment is made for the activity as a whole (trading and non-trading).

More information about market risks in the BPI Group is contained in the "Risk Management" section of the Directors' Report.

Trading portfolio (trading)

Trading positions are managed autonomously by the traders, within the limits established by the Trading Department Manual for the entire BPI Group, approved by the Executive Committee of the Board of Directors. The trading portfolio is defined for financial and risk management purposes, independently of the accounting classification (although the concepts largely match) and includes all types of financial instruments traded by the Trading Rooms (derivatives, repurchases, shares and bonds) that cause various types of market risk, namely interest rate, shares, exchange, commodities and spread risks.

Market risk in trading operations is assessed and controlled daily through the calculation of VaR – Value at Risk – using a standard model (of the "variance co-variance" type), based on the activity of the Banks of the BPI Group as a whole.

Calculated VaR corresponds to the maximum potential loss, with a confidence level of 99%, resulting from an adverse evolution of risk factors within a timeframe of two weeks (risk factors are price increase rates, indexes and interest rates that affect the value of the portfolio, or that are taken as representative of those prices, indexes and rates). The model uses, as risk factor volatility, the standard deviation of historical samples of their amounts on an annual basis and uniform weight. In calculating the overall risk, the effect of the diversification of investments is included in the model through the statistical effect of the correlation between risk factors (the correlation is calculated from annual historical samples and uniform weight of relevant pairs of risk factors). A normal distribution of risk factors is assumed, with a mean of zero and standard deviation leading to the above mentioned confidence level.

In 2014 and 2013 the average VaR in the Bank's trading books was as follows:

	31 Dec. 14		31 Dec. 13	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	779	2 796	384	1 474
Currency risk	1 240	1 662	1 278	1 596
Equity risk	2 253	3 765	1 167	3 276

In compliance with its legal obligations, the Group also produces prudential information for purposes of control by the supervisor and calculates regulatory capital relating to market risks in accordance with the standard methodology established by the Bank of Portugal.

Banking portfolio (non-trading)
The Financial Committee, chaired by the Executive Board's member responsible for the financial portfolio, monitors and manages the positions that are part of the banking portfolio, from reports produced for the purpose and within the guidelines of EBGR. When necessary an extraordinary meeting of EBGR is requested to make the more important decisions.

Offsetting of financial assets and liabilities
BPI Group has contracts that allow the offsetting of financial assets and liabilities on a net basis per counterparty, namely derivative operations and repo security transactions.

The Group has the policy of contracting its derivative operations with its professional counterparties (through "ISDA Master Agreements") or with its Customers (through framework contracts), in order to have the possibility, in both cases, of netting positions by counterparty or Customer. Credit Support Annexes (CSA's) are also signed with professional counterparties that allow the transfer of collateral in order to minimize the risk.

Repo transactions are made mostly under a standard ISMA contract called "Global Master Repurchase Agreement", which is considered as a compensation agreement, allowing the offsetting of the positive and negative values of all transactions negotiated with the counterparty.

Derivatives and repo transactions relating to securities are not compensated for the purpose of presentation in the financial statements of the BPI Group – the amount of each transaction is recorded as an asset or a liability, depending on whether the operation has a positive or negative fair value, respectively.

At 31 December 2014 and 2013 the amount of asset derivative financial instruments[1] traded in the over-the-counter market, offset by related liability derivatives, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
		31 Dec. 14		
Financial institutions	185 787	(113 344)	(47 990)	24 453
Local and administrative public sector	413			413
Other Financial Intermediaries	657	(74)		583
Companies	216 998	(1 193)		215 805
Insurance / Pension companies	60			60
Individuals	388			388
Total	**404 302**	**(114 610)**	**(47 990)**	**241 702**
		31 Dec. 13		
Financial institutions	222 822	(118 816)	(78 566)	25 440
Local and administrative public sector	424			424
Other Financial Intermediaries	1 126	(855)		271
Companies	168 642	(1 096)		167 546
Individuals	491	(2)		489
Total	**393 504**	**(120 768)**	**(78 566)**	**194 169**

1) Does not include embedded derivatives and listed derivatives in the amounts of 24 353 th. euro and 7 364 th. euro, at 31 December 2014 and 2013, respectively.

At 31 December 2014 and 2013 the amount of liability derivative financial instruments[1] traded in the over-the-counter market, offset by related asset derivatives, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral pledged as guarantee	
		31 Dec. 14		
Financial institutions	619 385	(113 344)	(483 878)	22 164
Local and administrative public sector	137	(74)		63
Companies	23 612	(1 193)		22 419
Individuals	1			1
Total	**643 135**	**(114 610)**	**(483 878)**	**44 647**
		31 Dec. 13		
Financial institutions	759 885	(118 816)	(613 415)	27 655
Other financial intermediaries	969	(855)		114
Companies	26 146	(1 096)		25 050
Individuals	14	(2)		12
Total	**787 031**	**(120 768)**	**(613 415)**	**52 848**

At 31 December 2014 and 2013 the amount of securities purchased with resale agreements, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not set off in the financial statements	Net value
	31 Dec. 14		
Financial institutions	71 740	(71 740)	
Total	**71 740**	**(71 740)**	
	31 Dec. 13		
Financial institutions	33 551	(33 551)	
Central banks	287 357	(287 357)	
Total	**320 908**	**(320 908)**	

At 31 December 2014 and 2013 the amount of debt securities sold with repurchase agreements, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Related amounts not set off in the financial statements	Net value
	31 Dec. 14		
Financial institutions	81 409	(81 409)	
Other financial intermediaries	94 260	(94 260)	
Total	**175 669**	**(175 669)**	
	31 Dec. 13		
Financial institutions	865 667	(865 667)	
Other financial intermediaries	106 798	(106 798)	
Total	**972 465**	**(972 465)**	

1) Does not include embedded derivatives and listed derivatives in the amounts of 24 353 th. euro and 7 364 th. euro, at 31 December 2014 and 2013, respectively.

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations (including the securities portfolio of the international operations classified in the accounting records as of trading):

Time band	Financial margin					
	31 Dec. 14			31 Dec. 13		
	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	689 940	2.00%	13 799	535 986	2.00%	10 720
on demand-1 month	1 294 540	1.92%	24 855	(3 783 685)	1.92%	(72 647)
1-2 months	2 517 461	1.75%	44 056	1 490 724	1.75%	26 088
2-3 months	1 183 645	1.58%	18 702	3 219 036	1.58%	50 861
3-4 months	(153 665)	1.42%	(2 182)	(63 375)	1.42%	(900)
4-5 months	79 690	1.25%	996	453 852	1.25%	5 673
5-6 months	1 630 357	1,08%	17 608	2 244 665	1.08%	24 242
6-7 months	(41 023)	0.92%	(377)	897 571	0.92%	8 258
7-8 months	(48 493)	0.75%	(364)	10 816	0.75%	81
8-9 months	33 206	0.58%	193	308 809	0.58%	1 791
9-10 months	(86 747)	0.42%	(364)	(17 430)	0.42%	(73)
10-11 months	111 067	0.25%	278	41 443	0.25%	104
11-12 months	195 541	0.08%	156	363 865	0.08%	291
Total			**117 354**			**54 488**

Note: The positions were distributed by the asset, liability and respective maturity class columns.

The weighted position indicates an estimate of the impact on the financial margin obtained at the end of 12 months starting on 1 January of each year resulting from a single and instantaneous change of 2% in the overall market interest rates affecting the respective positions. Thus, the impact on each date depends on the existence and time distribution of the re-pricing gaps.

At 31 December 2013 BPI had a liability of 920 000 th. euro, corresponding to contingent convertible subordinated bonds, settled in 2014. The interest rate risk of the remaining fixed interest rate assets and liabilities is hedged through derivatives, or is offset by balance sheet operations with a reverse risk profile.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[1]. This stress test was based on the following exposures in shares and participating units:

	31 Dec. 14	31 Dec. 13 Proforma
Financial assets held for trading and at fair value through profit or loss	29 257	27 477
Financial assets available for sale – at fair value and without impairment	128 628	129 906
Financial assets available for sale – at fair value and with impairment	96 743	80 377
Financial assets available for sale at historical cost	6 075	7 713
Participating units in liquidity, bond and real estate funds	3 920	4 047
	264 623	**249 520**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities recorded at cost and participating units in liquidity, bond and real estate funds) at 31 December 2014 and 2013, would result in a decrease of 50 928 th. euro and 47 552 th. euro, respectively, in their fair value, implying the recognition of a loss of 25 200 th. euro and 21 571 th. euro, the remaining devaluation being reflected in the fair value reserve.

1) Excluding securities held by BPI Vida e Pensões.

Currency risk

Financial assets and liabilities at 31 December 2014, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at central banks	429 074	680 584	776 753	7 792	1 894 203
Deposits at other credit institutions	296 945	32 376	2 213	48 941	380 475
Financial assets held for trading and at fair value through profit or loss	2 581 066	210 909	213 377	12 381	3 017 733
Financial assets available for sale[1]	4 786 680	1 060 072	1 713 756	443	7 560 951
Loans and advances to credit institutions	639 151	706 712	1 241 978	976	2 588 817
Loans and advances to Customers	23 068 084	883 079	1 216 461	101 345	25 268 969
Held-to-maturity investments	88 382				88 382
Hedging derivatives	146 317	2 097		279	148 693
Debtors and other applications	35 518	65 371	4 952	1 115	106 956
	32 071 217	**3 641 200**	**5 169 490**	**173 272**	**41 055 179**
Liabilities					
Resources of central banks	1 515 884	45 301			1 561 185
Financial liabilities held for trading	319 157	5 301	2 270	57	326 785
Resources of other credit institutions	1 237 681	132 992	52	1 716	1 372 441
Resources of Customers and other debts	19 040 585	4 260 043	4 585 511	248 478	28 134 617
Debt securities	2 177 152	60 922			2 238 074
Financial liabilities relating to transferred assets	1 047 731				1 047 731
Hedging derivatives	317 441	9 729		49	327 219
Provisions	77 084	21 926	7 791	532	107 333
Technical provisions	4 151 830				4 151 830
Other subordinated debt and participating bonds	69 521				69 521
	29 954 066	**4 536 214**	**4 595 624**	**250 832**	**39 336 736**
Forward currency operations	(1 138 230)	936 572	133 825	111 911	44 078
		41 558	**707 691**	**34 351**	
Stress test		8 312	212 307	6 870	

1) Excludes the amount recorded in the Fair Value Reserve.

Financial assets and liabilities at 31 December 2013, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at central banks	304 935	483 216	578 878	5 182	1 372 211
Deposits at other credit institutions	323 033	119 117	2 786	24 551	469 487
Financial assets held for trading and at fair value through profit or loss	1 058 625	102 428	139 736	16 769	1 317 558
Financial assets available for sale[1]	7 664 633	1 080 482	1 315 563	437	10 061 115
Loans and advances to credit institutions	(57 144)	1 427 934	514 469	811	1 886 070
Loans and advances to Customers	24 532 958	655 040	650 407	126 728	25 965 133
Held-to-maturity investments	136 877				136 877
Hedging derivatives	188 544	1 055		4 444	194 043
Debtors and other applications	39 486	81 146	1 612	927	123 171
	34 191 947	**3 950 418**	**3 203 451**	**179 849**	**41 525 665**
Liabilities					
Resources of central banks	4 066 106	73 962			4 140 068
Financial liabilities held for trading	251 668	2 371	1 233	(27)	255 245
Resources of other credit institutions	453 505	998 194		1 550	1 453 249
Resources of Customers and other debts	18 579 024	4 072 633	2 759 513	219 303	25 630 473
Debt securities	2 535 997	30 764		31 694	2 598 455
Financial liabilities relating to transferred assets	1 387 296				1 387 296
Hedging derivatives	537 108	11 282		68	548 458
Provisions	101 958	20 378	1 228	473	124 037
Technical provisions	2 689 768				2 689 768
Contingent convertible subordinated bonds	920 433				920 433
Other subordinated debt and participating bonds	136 931				136 931
	31 659 794	**5 209 584**	**2 761 974**	**253 061**	**39 884 413**
Forward currency operations	(1 520 427)	1 369 445	44 512	120 248	13 778
		110 279	**485 989**	**47 036**	
Stress test		22 056	145 797	9 407	

1) Excludes the amount recorded in the Fair Value Reserve.

The stress test consists of assessing the impact of a 20% variation in the exchange rate of each currency against the euro, with the exception of the Kwanza (AKZ) in which the impact of a 30% variation against the euro was assessed. The amounts presented above are absolute amounts, and correspond to the potential impact (before taxes) on total equity including minority interests.

Hedge accounting

The BPI Group applies fair value hedge accounting to several business lines, including hedging for:

- fixed rate loans to Customers;
- fixed rate deposits;
- fixed rate debt issues;
- structured debt issues;
- fixed rate securities.

The BPI Group uses "back-to-back" hedging relationships and macro-hedging.

The BPI Group hedges interest rate risk and currency risk relating to the above hedged items.

Interest rate swaps and forward currency operations are the main hedging instruments used.

Application of Hedge Accounting eliminates the "accounting mismatch" that would result from the recognition of the hedged items at amortized cost, while the hedging instruments (derivative financial instruments) would have to be recorded at fair value through profit or loss. The value of hedged financial instruments is their exposure (nominal value contracted).

The book value of hedged instruments and fair value of hedging instruments at 31 December 2014 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain / loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair value
Assets									
Loans to Customers	377 069	3 300	(2 482)	44 659	422 546	447 389	(5 977)	(46 087)	(52 064)
Fixed rate securities portfolio	1 766 855	16 557		220 439	2 003 851	1 820 885	(35 838)	(219 321)	(255 159)
	2 143 924	**19 857**	**(2 482)**	**265 098**	**2 426 397**	**2 268 274**	**(41 815)**	**(265 408)**	**(307 223)**
Liabilities									
Resources of credit institutions	20 000	776		15 262	(36 038)	20 000	755	15 255	16 010
Customer deposits	8 200 294	74 139		46 665	(8 321 098)	8 466 078	42 454	28 690	71 144
Debt issues	1 447 392	7 771		9 438	(1 464 601)	2 260 432	10 475	31 068	41 543
	9 667 686	**82 686**		**71 365**	**(9 821 737)**	**10 746 510**	**53 684**	**75 013**	**128 697**

Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at 31 December 2013 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain / loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair value
Assets									
Loans to Customers	405 719	3 111	(2 385)	33 922	440 367	480 571	(5 842)	(35 297)	(41 139)
Fixed rate securities portfolio	3 415 040	(304 451)		405 990	3 516 579	3 453 632	(63 919)	(405 957)	(469 876)
	3 820 759	**(301 340)**	**(2 385)**	**439 912**	**3 956 946**	**3 934 203**	**(69 761)**	**(441 254)**	**(511 015)**
Liabilities									
Resources of credit institutions	20 000	775		7 444	(28 219)	20 000	750	7 441	8 191
Customer deposits	8 833 347	61 041		25 973	(8 920 361)	9 326 842	47 551	16 913	64 464
Debt issues	1 683 175	16 583		45 031	(1 744 789)	2 305 304	20 814	63 131	83 945
	10 536 522	**78 399**		**78 448**	**(10 693 369)**	**11 652 146**	**69 115**	**87 485**	**156 600**

Embedded options were not included.

The tables above include the nominal amounts of hedged items for which hedge accounting is being applied. The notional amount of hedging instruments corresponds to the sum of the notional amounts of the hedging derivative contracts, including forward start operations (swaps and futures), and therefore the notional amount may be higher than the nominal amounts of the hedged items. For a given asset or liability (namely fixed rate securities) there may be several derivatives to hedge the corresponding future flows.

Net income on financial operations recognized in hedging derivative financial instruments and in hedged items in 2014 and 2013 were the following:

Fair value types of hedge	31 Dec. 14	31 Dec. 13 Proforma
Hedging derivatives	(53 234)	116 839
Hedged items		
Loans to Customers	10 737	(15 234)
Fixed rate securities portfolio	38 229	(169 137)
Resources of credit institutions	(7 819)	3 062
Customer deposits	(20 693)	19 528
Debt issues	37 473	45 382
	57 927	**(116 399)**
	4 693	**440**

The caption GAIN ON DEBT ISSUES at 31 December 2014 and 2013 includes 7 210 th. euro and 767 th. euro relating to gain on the repurchase of bond issues.

4.50. Share-based variable remuneration program

The share-based variable remuneration program (Remuneração Variável em Acções – RVA) is a remuneration plan under which, whenever it is decided to grant variable remuneration to Executive Directors and Employees of the BPI Group (in the latter case provided that it exceeds 2 500 euro) it is made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to Employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which expires on a gradual basis over the three years following the grant date (25% each year). The options to purchase shares may be exercised between the 90th day to the fifth year as from the grant date. In accordance with the RVA Regulations, termination of the employment relationship between the Employee and the BPI Group also affects the options granted.

The conditions for granting shares and share options to the Executive Directors up to RVA 2009 were similar to those referred above for Employees. As from RVA 2010, the shares and share options granted to the Executive Directors under the RVA program are subject to the following suspending condition: Banco BPI's consolidated shareholders' equity, based on the consolidated accounts for the third year following that to which the variable remuneration relates, must be greater than Banco BPI's consolidated shareholders' equity for the year to which the variable remuneration relates, observing the assumptions established in the RVA Regulations. The granting of shares is also subject to the suspending condition of non-termination of the management or employment relationship established in the RVA Regulations. In addition to these conditions, the granting of the shares is also subject to a suspending term of three years as from the grant date and the strike period for the share options only begins after that period.

During the Portuguese State investment period, the members of Banco BPI's Executive Commission will not be paid any variable remuneration. Nonetheless, the Remuneration Committee may continue to evaluate annually the performance of the members of the Executive Commission of the Board of Directors and determine the amount of the variable remuneration to which they would be entitled under the rules established in the Remuneration Policy approved in the Shareholders General Meeting of April 2011. However, payment of the variable remuneration will depend on the decision of the Remuneration Committee in office when the Portuguese State investment has been fully repaid.

The limitations in terms of remuneration, resulting from the recapitalization operation explained in the preceding paragraph, ceased as from 25 June 2014, when the public investment due to the recapitalization operation was fully repaid.

In this respect, considering that the recommendation of both the Nominating, Admission and Remuneration Committee and the Remuneration Policy for the 2014 / 2016 period, approved by the Shareholders' General Meeting, established the recommendation that:

1) the performance evaluation of the members of the Executive Commission of the Board of Directors and determination of the variable remuneration to which they would be entitled under the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take place after full repayment of the public investment;

2) also dependent upon a decision to be made by the Remuneration Committee, then in office, after full repayment of the public investment, the members of the Board of Directors, members of Executive Commission of the Board of Directors and members of the Supervisory Board should be paid the amounts corresponding to the reduction of their fixed remuneration resulting from the limitations due to the recapitalization operation;

   the Remuneration Committee made the following decisions on 3 September 2014:

   a) Considering their performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), it approved payment to the members of the Board of Directors and members of the Supervisory Board in office during that period, of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations due to the recapitalization operation; and

   b) Taking into account the opinion of the Nomination, Remuneration and Admission Committee, approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 of the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net results for 2012.

In the case of RVA 2007, the Employees whose variable remuneration was equal to or greater than 2 500 euro and less than or equal to 10 000 euro could choose to receive this amount fully in "cash". In the case of RVA 2008, 2009, 2010, 2011 and 2012, Executive Directors and Employees, whose variable remuneration was equal to or greater than 2 500 euro could choose to receive the variable remuneration entirely in "cash" without affecting the deferral of the availability and Conditions of Access referred to above to up to 50% of the variable remuneration paid to the Executive Directors.

In 2006 there was no RVA because Banco BPI was under a public share purchase offering. All the other RVA programs remain in force under the conditions mentioned in this note.

The price of the shares granted corresponds to the weighted average list price of the BPI shares traded in the last ten stock exchange sessions prior to the date the shares are granted. The price of the shares granted also corresponds to the strike price of the options.

The shares are made available (in the three years following the date they are attributed) subject to the beneficiaries remaining with the BPI Group. The price of the shares attributed, as well as the period in which they are made available, are summarized in the following table:

Program	Shares				
	Date of assignment	Strike price[1]	Date of availability of tranches		
			2nd	3rd	4th
RVA 2010	2011-04-29	1.11	2012-04-29	2013-04-29	2014-04-29
RVA 2011	2012-05-28	0.36	2013-05-28	2014-05-28	2015-05-28
RVA 2012	2012-12-19	0.87	2013-12-19	2014-12-19	2015-12-19
RVA 2013	2014-05-14	1.81	2015-05-14	2016-05-14	2017-05-14

1) Exercise price after the effect of the capital increase of BBPI, performed in May 2011, August 2012 and June 2014.

The share options can be exercised between the 90th day and the end of the 5th year following the date they were attributed. The share options are made available subject to the beneficiaries remaining with the BPI Group.

The strike prices of the options, as well as the period the options can be exercised, are summarized in the following table:

Program	Options			
	Date of assignment	Strike price[1]	Strike period	
			From	To
RVA 2008	2009-03-16	1.26	2009-06-17	2014-03-16
RVA 2009	2010-03-11	1.72	2010-06-12	2015-03-11
RVA 2010	2011-04-29	1.11	2011-07-30	2016-04-29
RVA 2011	2012-05-28	0.36	2012-08-29	2017-05-28
RVA 2012	2012-12-19	0.87	2013-03-19	2017-12-19
RVA 2013	2014-05-14	1.81	2014-08-15	2019-05-14

1) Exercise price after the effect of the capital increase of BBPI, performed in May 2011, August 2012 and June 2014.

By decision of the Shareholders' General Meeting of the Bank, the members of Executive Commission of the Board of Directors implemented an RVA plan (with a suspensive condition) the availability and strike periods of which are shown in the following tables:

Program	Shares		
	Date of assignment	Strike price[1]	Date of availability
RVA 2010	2011-04-29	1.11	2014-04-29

1) Exercise price after the effect of the capital increase of BBPI, performed in August 2012.

Program	Options			
	Date of assignment	Strike price[1]	Strike period	
			From	To
RVA 2010	2011-04-29	1.11	2014-04-29	2017-04-29

1) Exercise price after the effect of the capital increase of BBPI, performed in August 2012.

The total cost of the RVA programs is as follows:

Program	Total cost		
	Shares	Options	Total
RVA 2001	2 478	2 478	4 956
RVA 2002	2 507	2 507	5 014
RVA 2003	3 202	2 272	5 474
RVA 2004	3 834	2 169	6 003
RVA 2005	4 006	3 075	7 081
RVA 2007	2 649	5 938	8 587
RVA 2008	115	634	749
RVA 2009	29	814	843
RVA 2010	29	738	767
RVA 2011	8	211	219
RVA 2012	53	609	662
RVA 2013	1 269	1 331	2 600
RVA 2014	1 340	2 491	3 831
	21 519	**25 267**	**46 786**

The values of RVA 2014 Programme are estimated for the year.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES OF THE BPI GROUP

Shares

The Bank, for purposes of the share-based payment program, acquires a portfolio of BPI shares and transfers ownership of the shares to the Employees on the date the RVA remuneration is granted.

The changes in the number of shares not yet made available to the Employees of the BPI Group in 2014 and 2013, as well as the fair value of the respective instruments, are as follows:

	RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
	Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
Shares attributed in 2012	15 706	27	15	7 059	8	7	9 168	3	9	60 923	53	57			
Shares made available in 2012	11 491	20	11	3 431	4	3	2 301	1	2	15 257	13	14			
Shares made available early in 2012	120														
Shares refused in 2012															
Shares not made available at 31 December 2012	4 095	7	4	3 628	4	3	6 867	2	6	45 666	40	43			
Shares attributed in 2013															
Shares made available in 2013	4 095	7	5	1 785	2	2	2 289	1	3	15 222	13	19			
Shares made available early in 2013															
Shares refused in 2013															
Shares not made available at 31 December 2013				1 843	2	2	4 578	2	6	30 444	26	37			
Shares attributed in 2014													702 879	1 269	721
Shares made available in 2014				1 843	2	2	2 289	1	2				176 847	319	181
Shares made available early in 2014													7 533	14	8
Shares refused in 2014													615	1	1
Shares not made available at 31 December 2014							2 289	1	2	30 444	26	31	517 884	935	531

In the case of death, incapacity or retirement of the Employee, the shares not yet made available are made available early, becoming freely available to the person or to the respective heirs.

The shares refused include shares granted but not made available, to which the Employee has lost his / her right because he / she has left the BPI Group.

Options

The changes in the number of share options in circulation, held by Employees of the BPI Group (options that can be exercised) in 2014 and 2013, as well as their respective fair values are as follows:

	RVA 2008			RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
	Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
Options attributed in 2012	3 599 255	1 198	197	2 337 808	763	95	855 761	210	174	1 194 011	145	767						
Options made available in 2012	3 599 255	1 198	197	2 337 808	763	95	855 761	210	174	1 194 011	145	767	2 173 552	602	778			
Options made available early in 2012	4 853	2																
Options refused in 2012	1 119 935	373	61							461 339	56	296						
Options not made available at 31 December 2012	2 474 467	824	136	2 337 808	763	95	855 761	210	174	732 672	89	470	2 173 552	602	778			
Options in circulation at 31 December 2012	2 474 467	824	505	2 337 808	763	346	855 761	210	444	732 672	89	815	2 173 552	602	1 635			
Options attributed in 2013													443 101	123	333			
Options made available in 2013													443 101	123	333			
Options cancelled in 2013				24 501	8	4							412 628	114	310			
Options exercised in 2013							7 495	2	4	283 198	34	315	85 005	24	64			
Options in circulation and exercisable at 31 December 2013	2 474 467	824	505	2 313 307	755	342	848 266	208	440	449 474	55	500	2 119 020	587	1 594			
Options in circulation at 31 December 2013	2 474 467	824		2 313 307	755		848 266	208	133	449 474	55	267	2 119 020	587	608			
Options attributed in 2014							2 040 204	501	321							2 982 564	1 321	324
Options made available in 2014																2 982 564	1 321	324
Options cancelled in 2014	124 548	41		3 257	1											2 246	1	
Options exercised in 2014	2 349 919	782		58 187	19		259 023	64	41	43 636	5	26	405 742	112	116			
Options in circulation and exercisable at 31 December 2014				2 251 863	735		2 629 447	646	414	405 838	49	241	1 713 278	475	492	2 980 318	1 320	324

The granting and availability of Shares and Options under the RVA 2012, 2013 and 2014 programs in 2008, 2009, 2010, 2011, 2012 and 2013 result from the share capital increases in May 2011, August 2012, and June 2014.

When an Employee of the BPI Group leaves the Group he / she loses the right to the options attributed and not yet made available. In the case of options made available but not yet exercised, the Employee has a maximum period of 30 days from the date the labour relationship terminates to exercise the option, after which the option expires (options cancelled).

In the case of death, incapacity or retirement of Employees, the options attributed become immediately exercisable, having to be exercised within a period of 2 years from the date of the event, otherwise they expire. Cancelled options include options not exercised within this period.

In 2014 and 2013, the average price of the shares on the date in which the options were exercised was as follows:

Program	Options exercised in 2014		Options exercised in 2013	
	Number of options	Average price of the shares	Number of options	Average price of the shares
RVA 2008	2 349 919	1.58		
RVA 2009	58 187	1.89		
RVA 2010	259 023	1.81	7 495	1.13
RVA 2011	43 636	1.48	283 198	1.24
RVA 2012	405 742	1.60	85 005	1.12

In determining the number of options to be granted to Employees and directors, the BPI Group determines the financial value of the options as of the date they are granted.

The premium of the options over Banco BPI shares was determined in accordance with an internally developed model, based on the Black-Scholes model, for the RVA 2003 to RVA 2013 programs.

The critical factors of the model used to manage the RVA programs are as follows:

- Volatility of Banco BPI shares, which was determined as follows:
  - 60% of the historical volatility of Banco BPI shares in the last 3.33 years;
  - 10% of the VIX volatility index;
  - 10% of the VDAX volatility index;
  - 20% of the implicit volatility of the listed options traded in Spain over Spanish banks which are similar to Banco BPI.
- Average expected life of the option, which depends, among others, on the following factors:
  - Responsibility level of the beneficiaries: Directors and other Employees;
  - Ratio between the market price and the strike price; and
  - Volatility of the share price.

The model also enables the number of shares of Banco BPI necessary to ensure adequate coverage of the inherent risk of issuing options under the RVA program to be determined.

The parameters used to determine the financial value of the options under each RVA program, as of the date the options are attributed, are as follows:

	RVA 2007	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
BPI listing	3.33	1.41	1.94	1.25	0.37	0.87	1.81
Strike price	3.33	1.41	1.94	1.25	0.37	0.87	1.81
Implicit volatility	29.34%	44.27%	32.25%	35.97%	41.70%	39.78%	37.29%
Interest rate	3.73%	3.10%	2.68%	5.15%	3.87%	3.18%	1.48%
Expected dividends	0.19	0.07	0.08	0.00	0.00	0.00	0.00
Value of the option	0.41	0.37	0.37	0.28	0.12	0.28	0.44

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2014 were as follows:

	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	2 251 863	2 629 447	405 838	1 713 278	2 980 318
Strike price	1.72	1.11	0.36	0.87	1.81
Value of option	0.00	0.16	0.59	0.29	0.11

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2013 were as follows:

	RVA 2008	RVA 2009	RVA 2010	RVA 2011	RVA 2012
Number of outstanding options	2 474 467	2 313 307	848 266	449 474	2 119 020
Strike price	1.26	1.72	1.11	0.36	0.87
Value of option	0.20	0.15	0.52	1.11	0.75

ACCOUNTING IMPACT OF THE RVA PROGRAM

Shares

In order to cover the share-based payments, the Bank acquires a portfolio of treasury shares at the time the RVA remuneration is attributed. The shares remain in Banco BPI's portfolio until they are made available to the beneficiaries. At that time they are derecognized by corresponding charge to the accumulated costs caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the share component of the RVA program not yet made available to the Employees / Directors at 31 December 2014 and 2013 are as follows:

Shares	Program	31 Dec. 14			31 Dec. 13		
		Book value	Number of shares	Fair value	Book value	Number of shares	Fair value
Cost of the shares to be made available to the Group's Employees / directors, recognized in shareholders' equity	RVA 2010				124		
	RVA 2011	1			1		
	RVA 2012	23			15		
	RVA 2013	589			23		
	RVA 2014	530					
		1 143			**163**		
Cost of the shares to be made available to the Group's Employees / directors, not recognized in shareholders' equity	RVA 2010				(122)		
	RVA 2011				1		
	RVA 2012	3			11		
	RVA 2013	346			25		
	RVA 2014	810					
		1 159			**(85)**		
	Total	**2 302**	**550 617**	**564**	**78**	**36 865**	**45**
Treasury shares made available early to the Group's Employees / directors	RVA 2011						
	RVA 2012						
	RVA 2013	14					
	Total	**14**					
Treasury shares to be made available early to the Group's Employees / directors	RVA 2010				2	1 843	2
	RVA 2011	1	2 289	2	2	4 578	6
	RVA 2012	26	30 444	31	26	30 444	37
	RVA 2013	935	517 884	531			
	Total	**962**	**550 617**	**564**	**30**	**36 865**	**45**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment program responsibilities resulting from the issuance of options to purchase BPI shares in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption TREASURY SHARES HEDGING THE RVA, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognized together with transfer of share ownership to the Employees. At that time a gain or loss is recognized, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees / Directors at 31 December 2014 and 2013 were as follows:

Options	Program	31 Dec. 14			31 Dec. 13		
		Book value	Fair value	Unrealized gain / (loss)	Book value	Fair value	Unrealized gain / (loss)
Cost of outstanding options (premiums) recognized in shareholders' equity	RVA 2008				828		
	RVA 2009	786			806		
	RVA 2010	558			591		
	RVA 2011	49			55		
	RVA 2012	475			587		
	RVA 2013	1 331			385		
	RVA 2014	928					
		4 127			**3 252**		
Cost of outstanding options (premiums) not recognized in shareholders' equity	RVA 2012						
	RVA 2013				167		
	RVA 2014	1 563					
		1 563			**167**		
	Total	**5 690**	**2 619**	**3 071**	**3 419**	**2 619**	**800**
Treasury shares hedging the RVA options	RVA 2008				3 045	1 797	(1 248)
	RVA 2009	6 242	4 167	(2 075)	3 147	1 252	(1 895)
	RVA 2010	250	86	(164)	95	38	(57)
	RVA 2011	2 248	705	(1 543)	2 391	889	(1 502)
	RVA 2012	3 950	1 377	(2 573)	8 382	3 463	(4 919)
	RVA 2013	23	8	(15)			
	Total	**12 713**	**6 343**	**(6 370)**	**17 060**	**7 439**	**(9 621)**
Unrealized gain / (loss)				**(3 299)**			**(8 822)**

The gain and loss realized on treasury shares hedging the exercise of RVA options, as well as the respective taxes, are recorded directly in shareholders' equity, not affecting net income.

The gain and (loss) recorded in making the shares available and in exercising the options, as well as in the corresponding hedge, recorded in shareholders' equity at 31 December 2014 and 2013 were as follows:

Gain-loss		Program	31 Dec. 14	31 Dec. 13
Shares	In making the shares available	RVA 2008	50	
		RVA 2010	(206)	
		RVA 2013	(879)	
			(1 035)	
Options	In the exercise of options	RVA 2008	(1 242)	
		RVA 2009	(59)	
		RVA 2010	(425)	(13)
		RVA 2011	(122)	(848)
		RVA 2012	(731)	(53)
			(2 579)	**(914)**
Transaction costs / Dividend devolution			**7**	**21**
Premiums of options not exercised at the end of the program		RVA 2007		**5 703**
			(3 607)	**4 810**

The cost of the share-based remuneration program is accrued in personnel costs, by corresponding entry to the OTHER EQUITY INSTRUMENTS caption, as required by IFRS 2 for share-based payment programs. The cost of the shares and option premiums, when they are granted, is accrued on a straight-line basis from the beginning of the program (1 January) to the date they are made available to the Employees / Directors.

The total cost of the share-based payment program recognized in 2014 and 2013 was as follows:

Program	31 Dec. 14			31 Dec. 13		
	Shares	Options	Total	Shares	Options	Total
RVA 2009		(1)	(1)		(8)	(8)
RVA 2010	8	32	40	31	95	126
RVA 2011				1		1
RVA 2012	8		8	14	122	136
RVA 2013	899	944	1 843	23	385	408
RVA 2014	530	928	1 457			
Total	**1 445**	**1 903**	**3 347**	**69**	**594**	**663**

4.51. Capital management

At 31 December 2014 the Group had the following capital ratios calculated in accordance with the transitional provisions of Directive 2013 / 36 / EU and Regulation (EU) 575 / 2013, CRD IV / CRR, approved on 26 June 2013 by the European Parliament and the Council of the European Union in force as of 1 January 2014.

	31 Dec. 14
Accounting Shareholder's equity[1]	2 290 482
Potential gains on fair value reserve	(3 783)
Eligible minority interests	308 378
Actuarial deviations	(58 558)
Deferred tax assets arising from tax losses	(14 879)
Loans granted for acquisition of own shares and intangible assets	(6 971)
Investment in banking and insurance institutions	(27 178)
Negative Additional Tier 1	(61 968)
Common Equity Tier 1	**2 425 523**
Total Equity	2 425 523
Risk-weighted assets	**20 602 267**
Common Equity Tier 1	11.8%
Tier 1	11.8%
Total ratio	11.8%

1) Excluding fair value reserve and actuarial deviations.

At 31 December 2013 the BPI Group had the following capital ratios calculated in accordance with Notice 6 / 2010 of the Bank of Portugal in force at that date:

	31 Dec. 13
Base own funds	
Subscribed share capital, share premium, reserves (excluding positive fair value reserves) and retained earnings	2 230 220
Contingent convertible subordinated bonds	920 000
Preference shares	51 326
Other minority interests	272 285
Intangible assets	(19 149)
Treasury shares	(13 676)
Deduction related to deposits with high interest rates	(278)
Actuarial deviations considered in the prudential corridor	74 870
Deferred transition adjustments to IAS / IFRS	12 367
Base own funds	**3 527 965**
Complementary own funds	
Revaluation reserves of fixed assets	8 548
Positive fair value reserve	7 643
Subordinated debt and participating securities	71 937
Complementary own funds	**88 128**
Deductions	
Deduction of participations in insurance companies and other financial institutions	(204 208)
Others deductions	(9 245)
Deductions	**(213 453)**
Total own funds	**3 402 640**
Total requirements	1 681 277
Risk-weighted assets[1]	**21 015 960**
Own funds requirements ratio	16.2%
Tier 1[2]	16.2%
Core Tier 1 (excluding preference shares)[2]	16.5%

1) Total requirements x 12.5.
2) Calculated in accordance with Bank of Portugal Instruction 16 / 2004.

Under the Economic and Financial Assistance Program agreed in May 2011 between the Portuguese Republic and the International Monetary Fund, the European Central Bank and the European Commission, the Bank of Portugal increased the capital and solvency requirements of Portuguese banks, establishing minimum Core Tier 1 ratios of 9% at the end of 2011 and 10% as from the end of 2012, on a consolidated basis.

In the European Council meeting of 26 October 2011 measures were approved to restore confidence of the markets regarding sovereign risks of the European Union countries and increase the stability of their financial systems. In accordance with the Recommendation of the European Banking Authority (EBA) of 8 December 2011 (EBA / REC / 2011 / 1), the supervisory authorities determined that banks constitute a temporary capital buffer to enable them to achieve a capital Core Tier 1 ratio, on a consolidated basis, of 9% as from 30 June 2012, considering sovereign debt exposures at 30 September 2011 valued at market prices at that date. This Recommendation was accepted by the Bank of Portugal through the Notice 5 / 2012.

Based on the amounts observed on 30 September 2011 the need for a temporary capital buffer of 1 389 million euro for the BPI Group was identified, resulting mostly from sovereign debt exposure (1 359 million euro), namely Portuguese sovereign debt (989 million euro).

Considering the temporary nature of the capital buffer to cover sovereign risks, in June 2012 Banco BPI approved a "Recapitalization Plan" to strengthen the Core Tier 1 capital ratio, in order to comply with the minimum ratios established by EBA and the Bank of Portugal. The "Recapitalization Plan", in the amount of 1 500 000 th. euro, includes:

a) a capital increase of 200 000 th. euro with pre-emptive rights of the shareholders;

b) the issuance of financial instruments eligible as Core Tier 1 own funds (contingent convertible subordinated debt), subscribed for by the Portuguese State, in the amount of 1 300 000 th. euro.

On 29 June 2012 the Portuguese State subscribed for contingent convertible subordinated bonds, in the amount of 1 500 000 th. euro.

The features of these instruments are defined in Law 63-A / 2008 of 24 November, as republished by Law 4 / 2012 of 11 January (Bank Recapitalization Law), in Ministerial Order 150-A / 2012 of 17 May and in the Terms and Conditions established in Order 8840-A / 2012 of the Portuguese Minister of Finance and State of 28 June 2012. The contingent convertible subordinated bonds matured in five years from the date of issue, and the Bank's Recapitalization Plan assumed partial repayments over the period of the instrument.

On 10 August 2012 the Bank's capital increase mentioned in a), in the amount of 200 000 th. euro, with preemptive rights of the shareholders, was concluded and on 13 August 2012 this amount was used by the Bank to repay part of the contingent convertible subordinated bonds, which were reduced to 1 300 000 th. euro.

Between December 2012 and July 2013 contingent convertible subordinated bonds amounting to 380 000 th. euro were repaid, the amount of which at July 2013 was thus reduced to 920 000 th. euro.

On 22 July 2013, following the entry into force in the European Union of new minimum capital requirements imposed by Directive 2013 / 36 / UE, of the European Parliament and of the Council, of 26 June and by the Regulation (UE) No. 575 / 2013 of the European Parliament and of the Council, of 26 June (referred to as the Capital Requirements Directive IV / Capital Requirements Regulation (CRD IV / CRR), the European Banking Authority (EBA) published a new Recommendation for the preservation in absolute terms of the necessary capital to comply with the minimum ratio of 9% previously established, with reference to the capital requirements of 30 June 2012, in order to ensure a proper transition to the minimum capital requirements imposed by the CRD IV / CRR.

Central Banks may authorize exceptions to the minimum Core Tier 1, after consultation and discussion with EBA if:

- the Bank is developing a specific restructuring plan or a risk mitigation plan; or,

- if the level of capital of the Bank is considered to be greater than minimum Common Equity T1 (4.5%) and the capital preservation buffer (2.5%) required by the CRD IV / CRR rules, considering full implementation of these rules.

At 31 December 2013 Banco BPI had a CET 1 capital ratio 11.2%, calculated according to the rules of the fully implemented CRD IV / CRR, which represented a capital surplus of 713 M.€ in relation to the minimum CET1 ratio of 4.5% and the capital conservation buffer of 2.5% (ratio of 7%).

Banco BPI was authorized by the Bank of Portugal and EBA to be covered by the second aforementioned exception.

Banco BPI completed repayment of the full amount of the recapitalization plan to the Portuguese State in 2014, having repaid 500 000 th. euro on 19 March 2014 and 420 000 th. euro on 25 June 2014.

Considering that the Bank adhered to the Special Regime of Deferred Tax Assets approved in the Shareholders' General Meeting of 17 October 2014 and the loss of the equivalence of supervision in Angola, both as from 1 January 2015, the Common Equity Tier 1 pro-forma of BPI would be 10.2%.

Based on the implementation of the CRVIV / CRR rules, Banco BPI's "fully implemented" CET1 at 31 December 2014 was 8.4%. Taking into account the Special Regime of Deferred tax Assets and the loss of the equivalence of supervision in Angola, Common Equity Tier 1 would be 8.6%.

Dividend policy
As from the amendment to the articles of association of Banco BPI approved in the Shareholders' General Meeting held on 20 April 2006, the following rule was included (Article 26 item 3): "The Shareholders' General Meeting should decide on the long term dividend policy by proposal of the Board of Directors which should justify possible deviations from that policy".

In complying with this statutory rule, the Shareholders' General Meeting held on 19 April 2007 approved the Long Term Dividend Policy of Banco BPI, the main guideline being to distribute an annual dividend of not less than 40% of consolidated net income for the year, except in special circumstances.

The Policy referred to in the previous paragraph was temporarily limited by item 6.4. of the Recapitalization Plan approved in the Shareholders' General Meeting held on 27 June 2012, in which the Board of Directors indicated that there would be no dividends or reserve distributions until the hybrid instruments to be issued in the recapitalization plan had been entirely repaid, as well, in the same way, as item 11.1. A) of the Terms and Conditions of the Core Tier 1 Capital Instruments Subscribed for by the State approved by Order of the Portuguese Minister of State and Finance 8840-A / 2012.

4.52. Related parties

The BPI Group's related parties at 31 December 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%	30.0%
Companhia de Seguros Allianz Portugal, S.A.	Portugal	35.0%	35.0%
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	21.0%	21.0%
Pension funds of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	11.2%	
Fundo de Pensões Aberto BPI Valorização	Portugal	42.1%	
Fundo de Pensões Aberto BPI Segurança	Portugal	26.6%	
Fundo de Pensões Aberto BPI Garantia	Portugal	10.9%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	44.1%	
Members of the Board of Directors of Banco BPI[1]			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
Allianz Europe Ltd. – Represented by Herbert Walter			
António Domingues			
António Lobo Xavier			
Antonio Massanell Lavilla[2]			
Armando Leite de Pinho			
Carlos Moreira da Silva			
Edgar Alves Ferreira			
Isidro Fainé Casas			
Ignacio Alvarez-Rendueles			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Manuel Ferreira da Silva			
Marcelino Armenter Vidal			
Maria Celeste Hagatong			
Mário Leite da Silva			
Pedro Barreto			
Santoro Finance – Prestação de Serviços, S.A.			
Tomaz Jervell			
Vicente Tardio Barutel[2]			

1) Composition for the 2014 / 2016 term. The maps list the Administration Council previous composition.
2) Awaiting registration by BdP.

In accordance with IAS 24, related parties are those in which the Bank has significant influence (direct or indirect) in decisions relating to their financial and operating policies – associated and jointly controlled companies and pension funds – and entities which have significant influence on the management policy of the Bank – shareholders and members of Banco BPI's Board of Directors.

The Bank has understood that, in addition to the La Caixa Group, there are no other shareholders with significant influence over Banco BPI, due to the fact that they do not hold, directly or indirectly through subsidiaries, 20% or more of the voting rights, as provided for in IAS 28. Taking into account the degree of subjectivity involving this understanding this matter is continuously monitored by the Bank so as to reassess other indicators that may point to the existence of significant influence of entities with participations of less than 20%, because of the substance of the relationship.

The total assets, liabilities and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees of the BPI Group at 31 December 2014 were as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	3 095		3 095
Financial assets held for trading and at fair value through profit or loss		153	153
Loans	18 118		18 118
Other assets	19 254	243	19 497
	40 467	**396**	**40 863**
Liabilities			
Deposits and technical provisions	37 022	146 451	183 473
Debt securities		2 526	2 526
Other financial resources		60 072	60 072
Other liabilities	63		63
	37 085	**209 049**	**246 134**
Income			
Net interest income	16	(1 999)	(1 983)
Net fees and comissions	40 367	16	40 383
General and administrative expenses	(555)	(16 420)	(16 975)
Impairment losses and provisions for loans and guarantees, net	54		54
	39 882	**(18 403)**	**21 479**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	10 881		10 881
Commitments to third parties			
Revocable commitments	3 069		3 069
Responsabilities for services rendered			
Deposit and safeguard of assets	1 124 084	977 445	2 101 529
	1 138 034	**977 445**	**2 115 479**

The total assets, liabilities and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2014 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence	Total
Assets				
Financial applications	96 919			96 919
Financial assets held for trading and at fair value through profit or loss	4 469		9 229	13 698
Financial assets available for sale	88		59 851	59 939
Loans	847	11 008	300 390	312 245
Others	9 306			9 306
	111 629	**11 008**	**369 470**	**492 107**
Liabilities				
Deposits and technical provisions	8 855	9 566	11 566	29 987
Provisions	75	1	473	549
Debt securities		384	516	900
Other liabilities		25	104	129
	8 930	**9 976**	**12 659**	**31 565**
Income				
Net interest income	970	(103)	628	1 495
Net fees and commissions		12	62	74
Net income on financial operations	8			8
Impairment losses and provisions for loans and guarantees, net	21	(102)	36	(45)
	999	**(193)**	**726**	**1 532**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	30 109	123	127 847	158 079
Commitments to third parties				
Revocable commitments	8	399	119 579	119 986
Responsabilities for services rendered				
Deposit and safeguard of assets	659 167	22 042	283 503	964 712
Others			43 800	43 800
Foreign exchange operations and derivatives instruments				
Purchases	500 411		2 499	502 910
Sales	(491 121)		(2 499)	(493 620)
	698 574	**22 564**	**574 729**	**1 295 867**

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

The total assets, liabilities and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees of the BPI Group at 31 December 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**
Income			
Net interest income	(61)	(2 422)	(2 483)
Net fees and comissions	39 224	30	39 254
General and administrative expenses	(787)	(16 689)	(17 476)
	38 376	**(19 081)**	**19 295**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	9 631		9 631
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 and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2013 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence	Total
Assets				
Financial applications	86 226			86 226
Financial assets held for trading and at fair value through profit or loss	5 191			5 191
Financial assets available for sale			48 094	48 094
Loans	16 487	10 894	200 292	227 673
Held-to-maturity investments	14 856			14 856
Others			102	102
	122 760	**10 894**	**248 488**	**382 142**
Liabilities				
Deposits and technical provisions	4 229	6 378	34 885	45 492
Other liabilities	7 110	25	108	7 243
	11 339	**6 403**	**34 993**	**52 735**
Income				
Net interest income	1 430	(70)	571	1 931
Net fees and comissions		15	5	20
General and administrative expenses	50			50
	1 480	**(55)**	**576**	**2 001**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	18 330	93	127 499	145 922
Commitments to third parties				
Revocable commitments	204		75 000	75 204
Responsabilities for services rendered				
Deposit and safeguard of assets	781 234	22 683	399 545	1 203 462
Others			69 557	69 557
Foreign exchange operations and derivatives instruments				
Purchases	472 787		54 958	527 745
Sales	(479 634)		(54 992)	(534 626)
	792 921	**22 776**	**671 567**	**1 487 264**

1) With significant influence over the Bank management. As a general rule, one should assume a significant influnce when the stake is above 20% of the share capital.
2) Individual name.

EMPLOYEE REMUNERATION AND OTHER BENEFITS

Indication of the annual amount of remuneration received, in aggregate and individually, to the members of the Company's management body, by the Company, including fixed and variable remuneration and, in relation to this, mention of the different components that gave rise to it

In 2014 the fixed remuneration of the members of the Board of Directors amounted to 2 938 224 euro.

In addition to this, specifically as regards fixed remuneration of the members of the Executive Commission, 37 170 euro relating to seniority and 3 809 euro relating to long service premiums (in accordance with the Collective Vertical Labour Agreement for the Portuguese Banking Sector) must be added and, in the case of non-executive members, 138 750 euro relating to attendance allowance for their participation in meetings of the advisory and support committees of the Board of Directors as established in the statutes.

The individual amounts were as follows:

Amounts in euro

Board of Directors	Fixed remuneration	Variable remuneration 2010[1]	Attendance allowance	Seniority payments	Long service premiums
Artur Santos Silva	99 000	n/a	18 500	n/a	n/a
Fernando Ulrich	440 833	133 000	n/a	7 202	0
António Domingues	404 888	105 000	n/a	4 748	3 809
António Farinha Morais[2]	104 797	88 200	n/a	3 007	0
Alfredo Rezende	38 500	n/a	29 600	n/a	n/a
António Lobo Xavier	38 500	n/a	1 850	n/a	n/a
Armando Leite de Pinho	38 500	n/a	1 850	n/a	n/a
Carlos Moreira da Silva	38 500	n/a	1 850	n/a	n/a
Edgar Alves Ferreira	38 500	n/a	29 600	n/a	n/a
Ignacio Alvarez Rendueles	38 500	n/a	25 900	n/a	n/a
Isidro Fainé Casas	38 500	n/a	n/a	n/a	n/a
João Pedro Oliveira Costa[3]	218 990	n/a	n/a	1 715	0
José Pena do Amaral	311 255	88 200	n/a	5 540	0
Manuel Ferreira da Silva	311 255	88 200	n/a	5 540	0
Maria Celeste Hagatong	311 255	88 200	n/a	5 540	0
Vicente Tardio Barutel	29 779	n/a	0	n/a	n/a
Klaus Dührkop[4]	9 917	n/a	1 850	n/a	n/a
Marcelino Armenter	38 500	n/a	18 500	n/a	n/a
Mário Leite da Silva	38 500	n/a	7 400	n/a	n/a
Pedro Barreto	311 255	88 200	n/a	3 878	0
Tomaz Jervell	38 500	n/a	1 850	n/a	n/a

1) Variable remuneration relating to 2010, attributed in 2011, the payment of which was subject to the Deferral Period and existence of the Condition of Access to Deferred Remuneration, was paid in 2014 as a result of the lapse of time, for the condition of access and reposition to occur, as explained above.
2) On 23 April 2014, terminated functions as member of the Board of Directors and member of the Executive Commission.
3) Appointed on 23 April 2014.
4) On 23 April 2014, terminated functions as member of the Board of Directors.

Considering that:

A. The national legal provisions applicable to the recapitalization operation of Banco BPI carried out in June 2012 established limitations to the remuneration of the members of the Board of Directors and Supervisory Body of Banco BPI. Such limitations were essentially:

- the imposition of a reduction of the aggregate amount of remuneration of the members of the Board of Directors and Supervisory Body to 50% of the average remuneration paid to those bodies in 2010 and 2011;
- the prohibition of payment of variable remuneration to the members of the Executive Committee of the Board of Directors.

  On the other hand, the Commitments made to the European Commission, which led to its consideration as consistent with the internal market of public aid granted, included the remuneration provisions set out in the Corporate Governance Report.

B. In the framework and implementation of the discipline referred to in the preceding paragraph:

i) the Banco BPI recapitalization plan, approved by the Shareholders' General Meeting held on 27 June 2012 provided exceptions to the remuneration policy in force, in order to apply the above reductions in remuneration and prohibit the payment of variable remuneration to the members of the Executive Committee of the Board of Directors;

ii) the decision of the Remuneration Committee of 26 June 2012 established, under the opinion of the Nomination, Remuneration and Admission Committee, the new remuneration of the members of the Board of Directors and Supervisory Board (including attendance fees), to be applied as from 1 July 2012;

iii) the remuneration policy approved by the Shareholders' General Meeting held on 23 April 2014, for the 2014 / 2016 period foresaw and maintained the exceptions mentioned in B (i).

C. Both the recommendation of the Remuneration Committee mentioned in B (ii) and the Remuneration Policy for the 2014 / 2016 period mentioned in B (iii), included the following recommendations:

i) The recommendation that following the proposal of the Nomination, Remuneration and Admission Committee, the performance evaluation of the members of the Executive Committee of the Board of Directors and determination of their variable remuneration by applying the Remuneration Policy rules should continue to be made annually, the payment of such amount being subject to a decision of the Remuneration Committee then in office and to take office after full repayment of the public investment;

ii) The recommendation, again dependent on a decision of the Remuneration Committee then in office, after full repayment of the public investment, that the members of the Board of Directors, members of the Executive Committee of the Board of Directors and members of the Supervisory Board be paid the amounts corresponding to the reduction of their fixed remuneration due to the limitations imposed by the recapitalization operation, updated at the rate established under the Collective Vertical Labour Agreement for the Banking Sector for level 18 remuneration.

D. The limitations on remuneration as the result of the recapitalization operation mentioned above ceased as from 25 June 2014, when the public investment associated with the recapitalization operation was fully repaid.

E. The positive decision of the Nomination, Remuneration and Admission Committee to the Remuneration Committee relating to the performance of the members of the Executive Committee of the Board of Directors in 2012 and determination of the amount of variable remuneration which it believes should be attributed to them for their performance in that year.

The Remuneration Committee made the following decisions on 3 September 2014:

a) following the recommendation made in C. (ii), and considering the performance in the period in which there was public investment (second half of 2012, 2013 and first half of 2014), approved the payment to the members of the Board of Directors and members of the Supervisory Board who were in office during that period of the amounts corresponding to the reduction of their fixed remuneration in that period resulting from the limitations imposed by the recapitalization operation;

b) following the recommendation mentioned in C (i), and considering the opinion of the Nomination, Remuneration and Admission Committee, approved the payment to the members of the Executive Committee of the Board of Directors who were in office in 2012 the amount of their variable remuneration applicable as if no limitations were applied due to the recapitalization operation, in the overall amount of 1% of the consolidated net profit for 2012.

Therefore, as a result of that decision, in addition to the regular amounts of fixed remuneration and attendance fees paid in 2014, the following amounts were also paid to the members of the Board of Directors and Executive Committee in 2014:

Amounts in euro

Board of Directors	Fixed remuneration[1]	Variable remuneration[2]	Atendance fees[1]
Artur Santos Silva	117 000	n/a	33 300
Fernando Ulrich	91 725	457 382	n/a
António Domingues	84 081	419 267[3]	n/a
António Farinha Morais[4]	61 608	322 940	n/a
Alfredo Rezende	45 500	n/a	35 150
António Lobo Xavier	45 500	n/a	9 250
Armando Leite de Pinho	45 500	n/a	3 700
Carlos Moreira da Silva	45 500	n/a	5 550
Edgar Alves Ferreira	45 500	n/a	35 150
Ignacio Alvarez Rendueles	45 500	n/a	29 600
Isidro Fainé Casas	45 500	n/a	n/a
João Pedro Oliveira Costa[5]	5 646	n/a	n/a
José Pena do Amaral	64 763	322 940	n/a
Manuel Ferreira da Silva	64 763	322 940[3]	n/a
Maria Celeste Hagatong	64 763	322 940	n/a
Vicente Tardio Barutel	3 967	n/a	0
Klaus Dührkop[6]	43 167	n/a	1 850
Marcelino Armenter	45 500	n/a	38 850
Mário Leite da Silva	45 500	n/a	14 800
Pedro Barreto	64 763	322 940[3]	n/a
Tomaz Jervell	45 500	n/a	3 700

1) Amounts relating to the 2nd half of 2012, 2013 and 1st half of 2014, paid in the terms of the above decision.
2) Variable remuneration attributed in 2014 relating to performance in 2012 attributed in terms of the above decision.
3) Under the Remuneration Policy the amount of remuneration received for performing functions in other companies is deducted from variable remuneration. Therefore the above amount includes the amounts attributed for exercising functions in other companies.
4) On 23 April 2014 terminated functions as member of the Board of Directors and member of the Executive Commission.
5) Appointed on 23 April 2014.
6) On 23 April 2014, terminated functions as member of the Board of Directors.

Any amounts paid by other companies in a control or group relationship or who are subject to common domain

With the exception of the Director Manuel Ferreira da Silva, for which part – in the amount of 233 444 th. euro – of the fixed remuneration referred to in the preceding paragraph was paid by Banco Português de Investimento, S.A., no other member of the Executive Committee received any remuneration from a Group company other than Banco BPI.

Remuneration paid in the form of participation in profits and / or payments of bonuses and the reasons why such bonus payments and / or participation in profits were granted

As a result of approval by the Remuneration Committee of the payment to members of the Executive Committee, that were in office in 2012, of the variable remuneration to which they were entitled for that year, as explained earlier, 50% of that amount was, under the terms of the Remuneration Policy in force and according to the RVA rules, attributed through Banco BPI shares and / or options, the payment of which is subject to a deferral period and to the existence of conditions of access to deferred remuneration. The breakdown of deferred RVA remuneration by the members of the Executive Commission and the respective granting and exercise price were as follows:

Breakdown of deferred RVA remuneration

Executive Committee of the Board of Directors	BPI shares[1]	Options on BPI shares[2]
Fernando Ulrich	0	708 023
António Domingues	0	649 021
António Farinha Morais	0	499 907
José Pena do Amaral	0	499 907
Manuel Ferreira da Silva	0	499 907
Maria Celeste Hagatong	57 627	249 954
Pedro Barreto	0	499 907

Compensation paid or owed to former executive directors in respect of early termination of service during the year

In 2014 no payments were made for early termination.

Indication of the annual amount of remuneration received, in total and individually, by the members of the supervisory board of the Company for purposes of Law 28 / 2009 of 19 June

The total remuneration of the members of the Supervisory Board in 2014 was 235 050 euro. The amounts earned individually were as follows:

Supervisory Board Remuneration — Amounts in euro

Supervisory Board	Fixed remuneration	
	Regular	Reposition[3]
Abel Reis	69 465	14 454
Jorge Figueiredo Dias	60 114	12 508
Rui Guimarães[4]	42 297	1 090
José Neves Adelino[5]	22 774	12 348

Remuneration of the Chairman of the Shareholders' General Meeting Committee

In 2014 the overall remuneration for exercising the function of **Chairman of the Shareholders' General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the Shareholders' General Meeting Committee do not benefit, as a result of this circumstance, from any retirement entitlement.

1) Grant value of 1.401 euro.
2) Grant value of 0.325 euro and strike price of 1.401 euro. Options can be exercised after a deferred period of 3 years as from the time of decision of the Remuneration Committee – 3 September 2014 – as long as the Condition of Access to Deferred Remuneration is met as established in the Remuneration Policy and RVA regulation.
3) Replacement of amounts relating to the 2nd half of 2012, 2013 and 1st half of 2014, as explained above.
4) Appointed on 23 April 2014.
5) Terminated functions on 23 April 2014.

Pensions of the executive members of the Board of Directors

At 31 December 2014 the Directors covered by the defined benefits pension plan and the plan's liability, were as follows:

	Current	Retired	Total
Number of persons	7	4	11
Liability (th. euro)	16 387	12 047	28 434

Adding the amounts relating to other individuals that are current or former Directors of the Banks in the BPI Group and that benefit from a defined benefit pension plan to the figures presented in the table above, the table is as follows:

	Current	Retired	Total
Number of persons	14	9	23
Liability (th. euro)	25 074	18 670	43 744

In December 2006 the liability for retirement and survivor pensions under a defined benefit pension regime for Directors of the BPI Group's banks was transferred to an open-ended pension fund (Fundo de Pensões BPI Valorização).

The pension rights acquired in 2014 by the members of the Executive Committee relating to old age retirement pensions amounted to 110 800 euro.

Loans to members of the Board of Directors

Mortgage loans

At 31 December 2014 the overall balance of mortgage loans granted to members of the Executive Committee of the Board of Directors for the purpose of acquiring their own homes amounted to 2 065 th. euro.

Credit lines for the exercise of RVA options and subscriptions of BPI shares in the capital increase realised in 2008

Banco BPI's executive Directors (as well as its Employees) benefit from a credit line for the acquisition and maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA scheme. At 31 December 2014, the balance of credit given to the members of Banco BPI's Executive Committee was 6 608 th. euro.

In 2008 a credit line was made available to the Directors of the Group companies (as well as to Employees and retirees) who wished to subscribe for BPI shares in the capital increase to keep in the portfolio of shares thus acquired[1]. At 31 December 2014 the credit line balance relating to the members of Banco BPI's Executive Committee was 967 th. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the 2008 capital increase

Balance at 31 December 2014

	Credit line for the exercise of options[2]	Credit line for subscription for BPI shares
Banco BPI Executive Committee	5 641	967
Directors of Banco Português de Investimento[3]	100	38
Managers and other Employees	2 123	271
Total	**8 225**	**1 276**

Employee remuneration and other benefits

The information provided in this section has the objective of complying with the requirements of Bank of Portugal Notice 10 / 2011, and refers to the Employees who meet certain of the following criteria corresponding to those set out in article 1(2)(a) and (c) of the aforesaid Notice:

a) perform functions with responsibility for the assumption of risks on behalf of the institution or its Customers, with a material impact on the institution's risk profile, which includes Employees who have regular access to privileged information and participate in decisions on the institution's management and business strategy;

c) perform the control functions covered by Bank of Portugal Notice 5 / 2008 (compliance, audit and risk control).

In applying the above-mentioned criteria and solely to restrict the Employees to which the information to be provided to pursuant to article 17 of Notice 10 / 201, it was considered that the relevant Employees correspond to those of the Remuneration Policy of Managers mentioned in the section 3.2 of the Governance Report of the BPI Group, namely:

- Employees considered as "managers" for purposes of the provisions of article 248-B of the Portuguese Securities Code;
- Employees that occupy first and second tier positions in departments which perform control functions.

In 2014, the universe defined above encompassed 24 Employees.

In 2014, the remuneration paid to the above universe totaled 1 430 thousand euro split between fixed remuneration of 1 426 thousand euro and long service premium of 4.6 thousand euro. The fixed remuneration includes 73 thousand euro relating to seniority payments.

In 2014 the aggregate amount of annual pension rights acquired by the universe of Employees under review was 1 357 thousand euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned two groups was the following:

Amounts in euro	Control functions	Other functions
Employees (number)	12	12
Fixed remuneration	472 915	952 712
Long service premium	2 642	1 964
Total remuneration	**475 557**	**954 676**
Pension rights acquired	500 603	856 063

There are deferred remuneration (not paid) awarded to the above group of Employees in the amount of 528 th. euro.

There is no deferred remuneration due, paid or subject to reduction as a result of the adjustment introduced based on individual performance.

No new Employees were recruited in 2014 who fall within this universe.

No payments were made in 2014 for early termination of employment contracts.

1) This credit line was earmarked exclusively to fund the acquisition of Banco BPI shares resulting from the exercise of the subscription rights which every Employee or Director was entitled to on the date the subscription rights were detached from the shares (21 May 2008, last day on which the shares are traded cum rights).
2) Financing obtained for keeping in the portfolio of BPI shares resulting from the exercise of the RVA options.
3) Directors who are not simultaneously members of the Executive Committee of the Board of Directors of Banco BPI.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholdings of the members of the Board of Directors at 31 December 2014 were as follows:

	Shares[1]										
	Held at 31 Dec. 13	**Purchases**	**Sales**	**Held at 31 Dec. 14**	**Value at 31 Dec. 14[2]**	**Unavailable shares A**	**Shares pledged in guarantee B**	**Shares pledged in guarantee C**	**Shares pledged in guarantee D**	**Loans E**	**Loans F**
Artur Santos Silva	500 000			500 000	513						
Fernando Ulrich[3]	2 092 180			2 092 180	2 147		1 585 040	348 510		4 156	716
Alfredo Rezende de Almeida	2 250 000			2 250 000	2 309						
António Domingues[3]	56 042			56 042	57						
António Farinha Morais[4]	450 000		100 000	350 000	359						
António Lobo Xavier											
Armando Costa Leite de Pinho											
Carlos Moreira da Silva	66 333			66 333	68						
Edgar Alves Ferreira	503 083	227 273	503 083	227 273	233						
Herbert Walter[5]											
Ignacio Alvarez-Rendueles											
Isidro Fainé Casas											
João Pedro Oliveira e Costa[6]	10 708			10 708	11	2 677					
José Pena do Amaral[3]	72 682	132 231	20 000	184 913	190						
António Massanel Lavilla[7]											
Juan María Nin[8]											
Klaus Dührkop[4]											
Manuel Ferreira da Silva[3]	850 000	140 755	59 871	930 884	955				300 000		
Marcelino Armenter Vidal											
Maria Celeste Hagatong[3]	885 151	77 928	77 928	885 151	908		171 110	48 815		375	99
Mário Leite da Silva											
Pedro Barreto[3]	473 999	179 834	153 833	500 000	513		378 399	94 600		612	153
Tomaz Jervell	15 680			15 680	16						
Vicente Tardio Barutel[9]											

A – Shares attributed under the RVA program, the availability of which at 31 December 2014 is subject to a resolution condition.
B – Shares which at 31 December 2014 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.
C – Shares which at 31 December 2014 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.
D – Shares which at 31 December 2014 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed at 31 December 2014 on the loan referred to in B.
F – Amount owed at 31 December 2014 on the loan referred to in C
1) Includes securities held by their spouses.
2) Fair value of the shares.
3) Member of the Executive Committee.
4) Terminated functions on 23 April 2014 and so the transactions and final position are as of that date.
5) Submitted his resignation on 15 January 2015.
6) Elected to the Board of Directors and appointed to its Executive Committee on 23 April 2014.
7) Coopted to the Board of Directors on 24 October 2014.
8) Submitted his resignation on 1 July which became effective on 31 August.
9) Elected to the Board of Directors on 23 April 2014.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholder position of the members of the Board of Directors in terms of options held at 31 December 2014 was as follows:

	Options[1]			
	Held at 31 Dec. 13	Purchases	Exercise[2]	Held at 31 Dec. 14
Artur Santos Silva				
Fernando Ulrich[3]				
Alfredo Rezende de Almeida				
António Domingues[3]		426 820		426 820
António Farinha Morais[4]	308 707			308 707
António Lobo Xavier				
Armando Costa Leite de Pinho				
Carlos Moreira da Silva				
Edgar Alves Ferreira				
Herbert Walter[5]				
Ignacio Alvarez-Rendueles				
Isidro Fainé Casas				
João Pedro Oliveira e Costa[6]	33 476	93 773		127 249
José Pena do Amaral[3]	132 231	358 530	132 231	358 530
António Massanel Lavilla[7]				
Juan María Nin[8]				
Klaus Dührkop[4]				
Manuel Ferreira da Silva[3]	286 586	402 901	132 231	557 256
Marcelino Armenter Vidal				
Maria Celeste Hagatong[3]				
Mário Leite da Silva				
Pedro Barreto[3]	488 541	358 530	179 834	667 237
Tomaz Jervell				
Vicente Tardio Barutel[9]				

1) Includes securities held by their spouses.
2) Includes extinction by lapsing.
3) Member of the Executive Committee.
4) Terminated functions on 23 April 2014 and so the transactions and final position are as of that date.
5) Submitted his resignation on 15 January 2015.
6) Elected to the Board of Directors and appointed to its Executive Committee on 23 April 2014.
7) Coopted to the Board of Directors on 24 October 2014.
8) Submitted his resignation on 1 July 2014, which became effective on 31 August.
9) Elected to the Board of Directors on 23 April 2014.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investmento, in terms of the shares held at 31 December 2014 was as follows:

	Shares										
	Held at 31 Dec. 13	Purchases	Sales	Held at 31 Dec. 14	Value at 31 Dec. 14[1]	Unavai-lable shares A	Shares pledged in guarantee B	Shares pledged in guarantee C	Shares pledged in guarantee D	Loans E	Loans F
Alexandre Lucena e Vale	153 312	193 413	191 417	155 308	159		40 594	18 694		100	38
Fernando Costa Lima	81 124			81 124	83						
José Miguel Morais Alves	35 517	121 119	121 119	35 517	36	4 487					

A – Shares attributed under the RVA program, the availability of which at 31 December 2013 is subject to a resolution condition.
B – Shares which at 31 December 2014 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.
C – Shares which at 31 December 2014 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.
D – Shares which at 31 December 2014 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed at 31 December 2014, on the loan referred to in B.
F – Amount owed at 31 December 2014, on the loan referred to in C
1) Fair value of the shares.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investimento, in terms of the options held at 31 December 2014 was as follows:

	Options			
	Held at 31 Dec. 13	Purchases	Exercise[1]	Held at 31 Dec. 14
Alexandre Lucena e Vale	140 167	121 305	140 167	121 305
Fernando Costa Lima	186 781	65 012		251 793
José Miguel Morais Alves	177 240	62 953	121 119	119 074

1) Includes extinction by lapsing.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, in terms of shares and options held at 31 December 2014 was as follows:

	Shares[1]					Options[1]			
	Held at 31 Dec. 13	Purchases	Sales	Held at 31 Dec. 14	Value at 31 Dec. 14[2]	Held at 31 Dec. 13	Purchases	Exercise[3]	Held at 31 Dec. 14
Manuel Maria Meneses	103 704	70 431	59 956	114 179	117	121 055	42 702	59 956	103 801
Francisco Xavier Avillez[4]	150 000	152 957	102 956	200 001	205	189 615	131 648	6 853	314 410
Susana Trigo Cabral	21 038	57 402	40 259	38 181	39				
Luis Ricardo Araújo	57 200	55 948	43 148	70 000	72	228 743	26 872	33 058	222 557
Graça Graça Moura	37 134	3 094		40 228	41				
Ana Rosas Oliveira	6 487	15 611		22 098	23	51 306			51 306
João Avides Moreira	20 892	15 026	15 026	20 892	21	100 956	10 949	15 026	96 879

1) Includes securities held by their spouses.
2) Fair value of shares.
3) Includes extinction by lapsing.
4) Deemed a director as from 1 January 2014.

ARTUR SANTOS SILVA
Has not traded any shares.

FERNANDO ULRICH
Has not traded any shares.

At 31 December 2014 his spouse held 58 724 Banco BPI shares.

ALFREDO REZENDE DE ALMEIDA
Has not traded any shares.

ANTÓNIO DOMINGUES
Has not traded any shares.

As a result of the consolidation of the acquisition of options granted in 2011under and in accordance with the RVA program for 2010, this acquisition that had been subject to a deferral period of three years and to the suspending condition considered in that RVA and as that period had elapsed and the aforementioned condition met, on 28 April, 426 820 purchase options of Banco BPI shares were granted to him at a share price of 0.2765 euro and an adjusted strike price of 1.108 euro as a result of the share capital increase.

ANTÓNIO FARINHA MORAIS
Sold on the stock exchange:

On 18 February:
- 25 000 shares at 1.720 euro per share.

On 24 February:
- 10 000 shares at 1.687 euro per share.
- 15 000 shares at 1.708 euro per share.

On 6 March:
- 25 000 shares at 1.756 euro per share.

On 11 March:
- 25 000 shares at 1.770 euro per share.

Terminated his functions on 23 April 2014.

ANTÓNIO LOBO XAVIER
Does not hold and has not traded any Banco BPI shares.

ARMANDO COSTA LEITE DE PINHO
Does not hold and has not traded any Banco BPI shares.

At 31 December 2014, Arsopi – Holding, SGPS, S.A., of which he is President of the Board of Directors. owned 2 942 267 Banco BPI shares.

At 31 December 2014, ROE, SGPS, S.A., of which he is President of the Board of Directors, owned 4 442 291 Banco BPI shares.

At 31 December 2014, Security, SGPS, S.A., of which he is President of the Board of Directors, owned 3 414 404 Banco BPI shares.

CARLOS MOREIRA DA SILVA
Has not traded any shares.

EDGAR ALVES FERREIRA
Sold on the stock exchange:

On 21 February:
- 103 083 shares at 1.710 euro per share.

On 25 February:
- 100 000 shares at 1.710 euro per share.

On 26 February:
- 47 100 shares at 1.730 euro per share.

On 12 March:
- 10 900 shares at 1.765 euro per share.

On 13 June acquired 227 273 shares as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

His spouse sold on the stock exchange:

On 12 March:
- 112 717 shares at 1.750 euro per share;
- 11 033 shares at 1.753 euro per share;
- 2 993 shares at 1.752 euro per share;
- 7 203 shares at 1.754 euro per share;
- 32 173 shares at 1.755 euro per share;
- 6 677 shares at 1.757 euro per share;
- 5 290 shares at 1.753 euro per share;
- 2 384 shares at 1.761 euro per share;
- 18 018 shares at 1.768 euro per share;
- 25 172 shares at 1.759 euro per share;
- 8 100 shares at 1.751 euro per share;
- 9 476 shares at 1.756 euro per share;
- 764 shares at 1.765 euro per share.

At 31 December 2014 his spouse did not hold any Banco BPI shares.

At 31 December 2014, Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 28 351 791 Banco BPI shares.

HERBERT WALTER
Does not hold and has not traded any Banco BPI shares.

Resigned on 13 January 2015. Allianz Europe Ltd. (elected as member of the Board of Directors at the Shareholder' General Meeting Committee held on 23 April 2014) appointed Mrs. Carla Sofia Pereira Bambulo as its representative on 29 January 2015.

At 31 December 2014 Allianz Europe, Ltd. owned 120 553 986 Banco BPI shares.

IGNACIO ALVAREZ RENDUELES
Does not hold and has not traded any Banco BPI shares.

Is Deputy General Director at CaixaBank, S.A.

For further information about the transactions and participation of Caixa Bank, S.A. in Banco BPI's capital, see the information below concerning the member Isidro Fainé Casas.

ISIDRO FAINÉ CASAS
Does not hold and has not traded any Banco BPI shares.

Is President of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has control over CaixaBank, S.A., being also President of CaixaBank, S.A.

At 31 December 2014 Caixa Bank, S.A. owned a total of 642 462 536 Banco BPI shares.

JOÃO PEDRO OLIVEIRA E COSTA
Elected to the Board of Directors and appointed to its Executive Committee on 23 April 2014.

Has not traded any shares.

On 22 May under the RVA for 2013, 93 773 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

JOSÉ PENA DO AMARAL
On 4 February he acquired 132 231 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold in the stock exchange on 23 May, 20 000 shares at 1.607 euro per share.

As a result of the consolidation of the acquisition of the options granted in 2011 under and in accordance with the RVA program for 2010, this acquisition that had been subject to a deferral period of three years and to the suspending condition considered in that RVA and as such period had elapsed and the aforementioned condition met, on 28 April, 358 530 purchase options of Banco BPI shares were granted to him at a share price of 0.2765 euro and an adjusted strike price of 1.108 euro as a result of the share capital increase.

ANTÓNIO MASSANELL LAVILLA
Coopted to the Board of Directors on 24 October 2014.

Does not hold and has not traded any Banco BPI shares.

JUAN MARÍA NIN
Resigned effectively as from 31 August 2014.

Does not hold and has not traded any Banco BPI shares.

KLAUS DÜHRKOP
Terminated his functions on 23 April 2014.

Does not hold and has not traded any Banco BPI shares.

MANUEL FERREIRA DA SILVA
Sold on the stock exchange:

On 2 May:
- 14 709 shares at 1.834 euro per share;
- 2 500 shares at 1.833 euro per share;
- 10 900 shares at 1.832 euro per share;
- 2 350 shares at 1.831 euro per share;
- 19 541 shares at 1.830 euro per share.

On 20 June:
- 2 000 shares at 1.605 euro per share;
- 4 337 shares at 1.604 euro per share;
- 3 534 shares at 1.603 euro per share.

On 13 June acquired 129 871 shares as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

On 18 March, 132 231 purchase options of Banco BPI shares under the RVA for 2008 were extinguished through expiry.

As a result of the consolidation of the acquisition of the options granted in 2011 under and in accordance with the RVA program for 2010, this acquisition that had been subject to a deferral period of three years and to the suspending condition considered in that RVA and as such period had elapsed and the aforementioned condition met, on 28 April, 358 530 purchase options of Banco BPI shares were granted to him at a share price of 0.2765 euro and an adjusted strike price of 1.108 euro as a result of the share capital increase.

On 22 May, under the RVA for 2013, 10 884 shares at a unit price of 1.806 euro and 44 371 purchase options of Banco BPI shares were granted to his spouse at a share price of 0.443 euro and a strike price of 1.806 euro.

On 31 December 2014 his spouse held a total of 260 884 shares and 44 371 purchase options of Banco BPI shares.

MARCELINO ARMENTER VIDAL
Does not hold and has not traded any Banco BPI shares.

Is the Executive Deputy General Director of Criteria Caixa-Holding, S.A., which has control over Caixa Bank, S.A.

For further information about the transactions and participation of Caixa Bank, S.A. in Banco BPI's capital, see the above information concerning the member Isidro Fainé Casas.

MARIA CELESTE HAGATONG
As a result of the consolidation of the acquisition of the options granted in 2011 under and in accordance with the RVA program for 2010, this acquisition that had been subject to a deferral period of three years and to the suspending condition considered in that RVA and as such period had elapsed and the aforementioned condition met, on 28 April, 77 928 Banco BPI shares at an average share price of 1.245 euro were granted to her.

Sold on the stock exchange:

On 29 April:
- 61 496 shares at 1.880 euro per share;
- 7 478 shares at 1.881 euro per share;
- 2 447 shares at 1.882 euro per share;
- 2 922 shares at 1.883 euro per share;
- 3 585 shares at 1.884 euro per share.

At 31 December 2014 her husband held 407 316 shares

MÁRIO LEITE DA SILVA
Does not hold and has not traded any Banco BPI shares.

Is the President of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. which has full control over it.

At 31 December 2014 Santoro Finance – Prestação de Serviços, S.A. owned 270 643 372 Banco BPI shares.

PEDRO BARRETO
On 4 February acquired 179 834 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 123 605 shares at 1.430 euro per share;
- 17 988 shares at 1.431 euro per share;
- 1 000 shares at 1.432 euro per share;
- 2 859 shares at 1.436 euro per share;
- 8 381 shares at 1.440 euro per share.

As a result of the consolidation of the acquisition of the options granted in 2011 under and in accordance with the RVA program for 2010, this acquisition that had been subject to a deferral period of three years and to the suspending condition considered in that RVA and as such period had elapsed and the aforementioned condition met, on 28 April, 358 530 purchase options of Banco BPI shares were granted to him at a share price of 0.2765 euro and an adjusted strike price of 1.108 euro as a result of the share capital increase.

TOMAZ JERVELL
Has not traded any shares.

At 31 December 2014 Norsócia, SGPS, S.A. of which he is a member of the Board of Directors owned 11 050 105 Banco BPI shares.

VICENTE TARDIO BARUTEL
Elected to the Board of Directors on 23 April 2014.

Does not hold and has not traded any Banco BPI shares.

ALEXANDRE LUCENA E VALE
On 7 February acquired 140 167 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 100 shares at 1.576 euro per share;
- 5 599 shares at 1.567 euro per share;
- 9 672 shares at 1.566 euro per share;
- 39 552 shares at 1.565 euro per share;
- 18 841 shares at 1.5620 euro per share;
- 2 917 shares at 1.5610 euro per share;
- 28 500 shares at 1.56 euro per share;
- 6 415 shares at 1.557 euro per share;
- 5 181 shares at 1.556 euro per share;
- 8 046 shares at 1.555 euro per share;
- 15 344 shares at 1.552 euro per share.

On 12 June acquired 53 246 shares as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

Sold on the stock exchange on 24 June:
- 51 250 shares at 1.60 euro per share.

On 22 May, under the RVA for 2013, 121 305 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

FERNANDO COSTA LIMA
Has not traded any shares.

On 22 May, under the RVA for 2013, 65 012 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

JOSÉ MIGUEL MORAIS ALVES
On 5 February acquired 21 199 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 6 767 shares at 1.490 euro per share;
- 6 571 shares at 1.491 euro per share;
- 4 893 shares at 1.492 euro per share;
- 2 888 shares at 1.495 euro per share.

On 10 February acquired 40 000 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 20 000 shares at 1.500 euro per share;
- 4 850 shares at 1.520 euro per share;
- 4 915 shares at 1.523 euro per share;
- 10 235 shares at 1.525 euro per share.

On 11 February acquired 20 000 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date 20 000 shares at 1.540 euro per share.

On 12 February acquired 40 000 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 20 000 shares at 1.550 euro per share;
- 20 000 shares at 1.560 euro per share.

On 22 May, under the RVA for 2013, 62 953 purchase options of Banco BPI shares were granted to him with a share price of 0.443 euro and a strike price of 1.806 euro.

MANUEL MARIA MENESES
On 4 February acquired 59 956 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange on the same date, 59 956 shares at 1.50 euro per share. On 14 May, under the RVA for 2013, 10 475 shares at a share price of 1.806 euro and 42 702 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and an adjusted strike price of 1.806 euro.

FRANCISCO XAVIER AVILLEZ
On 11 February acquired 6 853 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange:

On 4 June:
- 1 669 shares at 1.754 euro per share,
- 20 000 shares at 1.765 euro per share;
- 25 000 shares at 1.772 euro per share;
- 8 287 shares at 1.781 euro per share.

On 5 June:
- 26 168 shares at 1.757 euro per share;
- 1 850 shares at 1.756 euro per share;
- 19 982 shares at 1.755 euro per share.

On 12 June acquired 146 104 shares at 1.54 euro per share as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

On 22 May, under the RVA for 2013, 131 648 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

SUSANA TRIGO CABRAL
On 22 May, under the RVA for 2013, 17 143 Banco BPI shares were granted to her at a share price of 1.806 euro.

On 12 June acquired 40 259 shares at 1.54 euro per share as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

Sold on the stock exchange on 19 June, 40 259 shares at 1.623 euro per share.

LUÍS RICARDO ARAÚJO
On 18 February acquired 18 000 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date:
- 5 334 shares at 1.685 euro per share;
- 8 018 shares at 1.684 euro per share;
- 4 648 shares at 1.683 euro per share.

On 6 March acquired 10 000 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euro set at the time they were granted.

Sold on the stock exchange, on the same date 10 000 shares at 1.748 euro per share.

On 17 March acquired 5 058 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euros set at the time they were granted.

Sold on the stock exchange, on the same date, 5 058 shares at 1.757 euro per share.

On 12 June acquired 22 890 shares at 1.54 euro per share as a result of accepting the public exchange offer of subordinated debt and preference shares for ordinary shares issued by Banco BPI.

On 14 May, under the RVA for 2013, 26 872 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

Sold on the stock exchange, on 4 September 2014:
- 5 270 shares at 1.553 euro per share;
- 730 shares at 1.552 euro per share.

Sold on the stock exchange, on 8 September, 4 090 shares at 1.554 euro per share.

GRAÇA GRAÇA MOURA
On 14 May, under the RVA for 2013, 3 094 Banco BPI shares were granted to her at a share price of 1.806 euro.

At 31 December 2014 her husband owned 27 677 Banco BPI shares.

ANA ROSAS OLIVEIRA
On 14 May, under the RVA for 2013, 12 791 Banco BPI shares were granted to her at a share price of 1.806 euro.

On 14 May, under the RVA for 2013, 2 820 Banco BPI shares were granted to her husband at a share price of 1.806 euro.

At 31 December 2014 her husband held 4 659 Banco BPI shares and 7 871 options on Banco BPI shares.

JOÃO AVIDES MOREIRA
On 26 February acquired 15 026 shares as a result of the exercise of an equal number of options over Banco BPI shares granted in 2009 under the RVA for 2008, at a strike price (adjusted for share capital increases) of 1.258 euro set at the time they were granted.

Sold on the stock exchange, on the same date, 15 026 shares at 1.725 euro per share.

On 14 May, under the RVA for 2013, 10 949 purchase options of Banco BPI shares were granted to him at a share price of 0.443 euro and a strike price of 1.806 euro.

4.53 Subsequent events

Resolution Fund

In accordance with a communication of the Bank of Portugal dated 3 August 2014, it was decided to apply a resolution measure to Banco Espírito Santo, S.A., which consists of the transfer of most of its business to a transition bank, called "Novo Banco", created especially for that purpose. In accordance with the community norm, capitalization of "Novo Banco" is ensured by the Resolution Fund, created by Decree-Law 31-A / 2012 of 10 February. As provided for in the Decree-Law, the Resolution Fund is resourced from payment of contributions due by the institutions participating in the Fund and contribution from the banking sector. In addition, the Decree-Law provides that if such resources are insufficient for fulfillment of its obligations other financing means can be used, such as: (i) special contributions from credit institutions; and (ii) loans granted.

In the specific case of the resolution measure relating to Banco Espírito Santo, S.A., the Resolution Fund provided 4.9 thousand million euro to pay up the share capital of "Novo Banco". Of this amount, 377 million euro corresponds to the Resolution Fund's own financial resources, resulting from the contributions already paid by the participating institutions and from contributions of the banking sector. In addition, a syndicated loan of 700 million euro was made to the Resolution Fund, with the contribution of each credit institution depending on various factors, including their size. The participation of Banco BPI in this loan was 116.2 million euro. The remaining amount needed to finance the resolution measure adopted came from a loan granted by the Portuguese State, which will subsequently be repaid and remunerated by the Resolution Fund. When Novo Banco is sold the proceeds of the sale will be primarily assigned to the Resolution Fund.

In case of insufficient funding, the Resolution Fund may resort to other means of funding, including special contributions from the credit institutions, weighted based on various factors, including their size.

On 16 December 2014 Banco BPI informed the Bank of Portugal its intention to acquire Novo Banco.

In accordance with public information disclosed by the Bank of Portugal, the supervisory authority has already verified compliance with the pre-qualification requirements by each of the entities that have expressed interest in acquiring Novo Banco, having determined that those requirements were fulfilled by 15 entities. The Bank of Portugal has invited those entities, which include Banco BPI, to submit non-binding offers to acquire Novo Banco. The invitation was accompanied by terms of reference which establish the procedures to be followed in the non-binding offers phase ("Phase II") and a "Memorandum of Information" containing information on the Novo Banco. Following this invitation, Banco BPI submitted a non-binding offer on 20 March 2015.

Up to the date of approval of the financial statements by the Board of Directors, Banco BPI has not had any information to enable it to estimate with reasonable reliability the amounts potentially involved on the sale of Novo Banco. For the same reason, it is not possible to estimate with reasonable reliability whether, as result of this sale process, there will be a possible insufficiency of resources in the Resolution Fund and, if applicable, how it will be funded.

Therefore, at this time it is not possible to assess the possible impact of this matter on Banco BPI's financial statements, since potential losses to be incurred depend on the price at which Novo Banco will be sold and the measures that may be carried out by the Ministry of Finance, in accordance with the responsibilities that are legally attributed to it.

Asset Quality Review (AQR)

In 2014 Banco BPI was one of the institutions subject to a full assessment of the euro area banking system ("Comprehensive Assessment"), a process led by the European Central Bank, which consisted, among other things, of an asset quality review (AQR). This component of the assessment had the objective of confirming the adequacy of the valuation of the assets, collateral and related impairment, in order to improve the level of transparency relating to the exposures of the banks. This exercise focused on balance sheet items considered to be of greater risk, selected according to a common methodology and following harmonized definitions, with the objective of ensuring the greatest fairness possible between the various jurisdictions of the Single Supervisory Mechanism (SSM). The adjustments made under this exercise were considered in the calculation of the main Tier 1 (CET 1) capital ratios adjusted as of 31 December 2013, permitting effective comparison of all 130 European banks integrating SSM. In the case of Banco BPI, the outcome of this exercise relating to the quality of the assets resulted in residual adjustments, corresponding to 0.12 p.p. of the CET 1 ratio at 31 December 2013 calculated according to the EBA rules.

Regulation and supervision equivalence in Angola

In accordance with the statement published by Banco BPI on 16 December 2014, the European Commission published under, among other provisions, paragraph 7 of Article 114 of Regulation (EU) 575 / 2013 of 26 June 2013 (CRR), the list of countries with regulations and supervision equivalent to those of the European Union. The list includes 17 countries or territories and does not include the Republic of Angola. Consequently, as from 1 January, 2015 the indirect exposure in kwanzas of Banco BPI: (i) to the Angolan State[1], and (ii) to the National Bank of Angola[2], is no longer considered, for the purpose of the calculation of Banco BPI's capital ratios, weighted for risk established in Angolan regulations for that type of exposure, and starts being considered weighted by risk established in the CRR.

This means that as from 1 January 2015, the indirect exposure in kwanzas of Banco BPI to the Angolan State and the National Bank of Angola is no longer weighted at 0% or 20% depending on the exposure, in the calculation of capital ratios, and started being weighted at 100%.

Considering the fact that Banco BPI adhered to the Special Regime for Deferred Tax Assets and the implementation of new risk weights for indirect exposure of Banco BPI to the Angolan State and BNA, the proforma Common Equity Tier 1 (CET1) ratios at 31 December 2014 would be:

- CET1 "Phasing in" (rules applicable in 2014): 10.2% (2.0 p.p. lower than the ratio calculated considering the risk weights currently used);

1) Angolan public debt securities held by Banco de Fomento Angola (BFA) and loans granted to the Angolan State by BFA.
2) Minimum cash reserves and other deposits and repos of BFA.

- CET1 “fully implemented” (fully implemented rules): 8.6% (1.0 p.p. lower than the ratio calculated considering the risk weights currently used).

The loss of regulatory and supervision equivalence in Angola also has the consequence of indirect exposure in kwanzas of Banco BPI to the Angolan State and BNA (the latter with the exception of the minimum cash reserves) to be no longer exempt from application of the limit to large exposures established in article 395 of the CRR. Termination of this exemption implies that the indirect exposure of Banco BPI to the Angolan State exceeds, as from 1 January 2015, the limit to large exposures.

Banco BPI requested the European Central Bank (ECB) to approve a change of the consolidation method of BFA, in order to start applying, for prudential purposes, the equity consolidation method, which the ECB has not received favorably.

Public Acquisition Offering of Shares of Banco BPI S.A.
On 17 February 2015 CaixaBank, S.A., holder of 44.1% of the share capital of Banco BPI, published the preliminary announcement of a public, general and voluntary acquisition offering (Offering) over all the shares of Banco BPI, at the price of 1.329 euro per share.

The launch of the Offering is subject to:

a) obtaining prior registration of the Offering in the Stock Exchange Commission (CMVM), in accordance with article 114 of the Stock Exchange Code (Código dos Valores Mobiliários); and

b) obtaining the approvals, non-opposition and administrative authorizations required under the applicable Portuguese Law or European community and foreign legislations eventually applicable.

Once launched, the Offering is, in the terms of the Preliminary Announcement, the Launching Announcement Project and the Offering Prospectus Project, subject to the following conditions, which if not fulfilled, will make it ineffective:

a) elimination up to the end of the acceptance period of the Offering, of the limitation to the counting of votes at the Shareholders’ General Meeting established under item 4 article 12 of the Company Envisioned, in the current text, so that there is no limit to the counting of votes issued by a single shareholder, directly or through a representative, in his / her own name or as representative of another shareholder; and

b) up to the date and as a result of the physical and financial settlement of the Offering, receive acceptances exceeding 5.9% of the Shares, so that together with the Shares of the Envisioned Company held by the Offeror on the date of publication of the Preliminary Announcement, the Offeror holds more than 50% (fifty per cent) of the share capital of the Envisioned Company, after settlement of the Offering.

The period of the Offering has not yet been defined in the Launching Announcement Project and Offering Prospectus Project.

On 5 March 2015 the Board of Directors of Banco BPI published the report, prepared in accordance with the terms of item 1, article 181 of the Stock Exchange Code (Código dos Valores Mobiliários), on the Public Acquisition Offering of Banco BPI Shares announced by CaixaBank, S.A. In the release, the Board of Directors of Banco BPI, S.A. expressed the view that the price of 1.329 euro per share offered by CaixaBank, S.A. through the Offering does not reflect the current value of Banco BPI, and therefore does not recommend the shareholders to accept the Offering.

5. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statement from the Board of Directors

**DECLARATION REFERRED TO IN ARTICLE 245 (1) C)
OF THE SECURITIES CODE**

Article 245 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1]:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2014 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

BOARD OF DIRECTORS

Artur Santos Silva	(Chairman)
Fernando Ulrich	(Deputy-Chairman)
Alfredo Rezende de Almeida	(Member)
António Domingues	(Member)
António Lobo Xavier	(Member)
Armando Leite de Pinho	(Member)
Carla Bambulo	(Member)
Carlos Moreira da Silva	(Member)
Edgar Alves Ferreira	(Member)
Ignacio-Alvarez Rendueles	(Member)
Isidro Fainé Casas	(Member)
João Pedro Oliveira e Costa	(Member)
José Pena do Amaral	(Member)
Manuel Ferreira da Silva	(Member)
Marcelino Armenter Vidal	(Member)
Maria Celeste Hagatong	(Member)
Mário Leite da Silva	(Member)
Pedro Barreto	(Member)
Tomaz Jervell	(Member)

Oporto, 26 March 2015

1) The Supervisory Board members signed statements with the same contents.
Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.

Legal certification of accounts and audit report

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Edifício Atrium Saldanha
Praça Duque de Saldanha, 1 - 6º
1050-094 Lisboa
Portugal

Tel: +(351) 210 427 500
Fax: +(351) 210 427 950
www.deloitte.pt

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – th. euro)

Introduction

1. In compliance with the applicable legislation we hereby present our Legal Certification of Accounts and Audit Report on the consolidated financial information contained in the Directors' Report and the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the year ended 31 December 2014, which comprise the Consolidated Balance Sheet as of 31 December 2014 (that reflects total assets of 42 628 850 th. euro and total shareholders' equity of 2 545 648 th. euro, including a consolidated net loss of 163 623 th. euro), the Consolidated Statements of Income, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as endorsed by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários); (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced its activity and the activity of the companies included in the consolidation, their financial position, their income or their comprehensive income.

3. Our responsibility is to examine the consolidated financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários), and to issue a professional and independent report based on our examination.

Deloitte.

Deloitte & Associados, SROC S.A.
Inscrição na OROC nº 43
Registo na CMVM nº 231

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão / Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. This examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors of the Bank, used in their preparation. This examination also included verifying the consolidation procedures used, application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account, as well as the verifications established in items 4 and 5 of article 451 of the Commercial Companies Code ("Código das Sociedades Comerciais"). We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and its subsidiaries as of 31 December 2014, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements for 2014 and that the report on corporate governance includes the items required for the Bank in accordance with article 245-A of the Portuguese Securities Market Code (Código dos Valores Mobiliários).

Oporto, 30 March 2015

Deloitte e Associados, SROC S.A.
Represented by António Marques Dias

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC, S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Report and opinion of the Supervisory Board

BPI

REPORT AND OPPINION OF THE SUPERVISORY BOARD
2014 CONSOLIDATED ACCOUNTS

The present document relating to the 2014 financial year was prepared by the Supervisory Board in compliance with the requirements of article 420(g) of the Commercial Companies Code (CCC).

1. REPORT ON THE SUPERVISORY BOARD'S WORK RELATING TO THE 2014 FINANCIAL YEAR

During 2014, the Supervisory Board met thirteen times, which were attended by all of its members, except for two meetings, one of which took place on 27 February, at which the member Miguel Artiaga Barbosa was absent due to an impediment at the Ministry of Finance. At the meeting of 28 May, the member Rui Campos Guimarães substituted the member José Neves Adelino, who requested that he be excused for professional reasons. At the meeting of 25 June, the member Miguel Artiaga Barbosa took part for the last time given that, after the meeting, the State representative sitting on Banco BPI's Supervisory Board was exonerated from the position by way of Dispatch dated 9 July 2014 of the Minister of Finance, on the grounds that the Bank had repaid on 25 June to the State the last tranche of the public investment of which it had been the beneficiary.

Besides these meetings, the Supervisory Board attended the ten meetings of the Audit and Internal Control Committee held in 2014, which enabled it:

- to analyse all the documentation distributed as support for their respective work;
- to be present to hear the explanations given by the persons responsible for each one of the areas reviewed;
- to put questions and to ask for clarifications concerning any doubts about the documents analysed; and
- to monitor directly the evolution of the Bank's operations, paying special attention to compliance with the company's memorandum and articles of association, regulations and legal requirements.

The Supervisory Board was also present at Banco BPI's General Meeting of 23 April 2014, at which the 2013 accounts were approved, as well as at the General Meeting of 17 October 2014 which deliberated over a proposal of the Board of Directors that Banco BPI adhere to the Special Regime for Deferred Tax Assets approved by Law no. 61 / 2014 of 26 August. It also participated in the Board of Directors meeting of 13 March 2015 at which the 2014 accounts were approved.

In compliance with the terms of reference legally entrusted to it and which form part of its regulations, it carried out a number of oversight procedures during 2014, of which the following are highlighted:

1.1. Overseeing compliance with legal and regulatory provisions, the statutes and the rules issued by the supervisory authorities, as well as with the general policies, standards and practices instituted internally

The Board scrutinised the reports on the audits carried out by the Audit and Inspection Division and the reports on the procedural reviews conducted by the external auditor, paying special attention to the anomalies detected and the recommendations presented with a view to overcoming these, as well as to compliance with the deadlines set out in its regulations.

It also monitored the results of the work performed by the external auditor in the areas related to compliance with the Group's obligations relating to income tax matters.

It also monitored all the audit work carried out by the Bank of Portugal and by the external auditors indicated by it, as well as the respective progress reports sent systematically to that Bank.

Furthermore, it kept itself informed about the activity of the Compliance Division.

1.2. Checking that at Banco BPI and other Group companies subject to supervision on a consolidated basis, there has been adherence to the fundamental objectives laid down in the field of internal control and risk management by the Bank of Portugal and by the Securities Market Commission (CMVM) in the supervision directives applicable to credit institutions and financial companies

The Board paid particular attention to the guidelines issued by the Bank of Portugal, in particular its Notice 5 / 2008, in respect of aspects pertaining to internal control and risk control, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies, including branches and subsidiaries.

The opinions on the Banco BPI's and all the other Group companies' internal control reports were prepared in June and submitted to the Bank of Portugal. It also issued an opinion pursuant to the provisions of Bank of Portugal Notice no. 9 / 2012, on the work undertaken with respect to the oversight of activity aimed at the prevention of money laundering and the financing of terrorism.

1.3. Verifying the appropriateness of and overseeing compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents
Both on a quarterly basis and as regards the consolidated results reported at the end of 2014 by Banco BPI, the Supervisory Board carried out the analysis of the results and the conclusions of the financial statements' audit procedures undertaken by the external auditor, as well as the information provided at the time relating to the accounting policies and practices.

The Supervisory Board accompanied with special attention all the phases relating to the implementation of the recapitalisation plan agreed with the Ministry of Finance, having been kept regularly informed and analysed the policy adopted by the Board of Directors relating to the redemption of the Portuguese State's holding of contingent convertible subordinated bonds (Coco) up until their total redemption, which occurred on 25 June 2014.

1.4. Giving an opinion on the report, accounts and proposals presented by the Board of Directors
The Board considered and issued an opinion on BPI Group's consolidated and Banco BPI's individual accounts and considered the Report of the Board of Directors relating to the 2014 financial year, as well as the Company's Corporate Governance Report.

The Board records the fact that there was a consolidated net loss of 163.6 M.€, which can be fundamentally ascribed to the non-recurring costs and losses of 264.3 M.€ incurred in domestic operations. These costs and losses are primarily attributable to the sale of Portuguese and Italian public debt.

In terms of article 422(1)(a) of the Companies Code, the Supervisory Board was present at the Board of Directors' meeting of 29 January 2015 which reviewed and approved the 2014 accounts.

1.5. Monitoring the process involving the preparation and dissemination of financial information by the company
To this end, the Board monitored the preparation of the documentation during the course of the year, having met with the Accounting, Planning and Statistics Division on 6 March 2015 in order to obtain more detailed information concerning the preparation and closing of the accounts.

Besides scrutinising the documents relating to the statutory certification of the consolidated and individual accounts, it met regularly with the Portuguese statutory auditors to keep abreast of the work performed by them and to clarify any doubts they might have encountered during their examination.

1.6. Proposing to the General Meeting the appointment of the Portuguese statutory auditors (art.420-2b) of the CCC and art. 3(7)(a) of the SBR)
In 2014 there was no need to propose the appointment of the Portuguese statutory auditors on the grounds that their term of office was still in progress.

1.7. Presenting to the Board of Directors the proposal relating to the external auditors to be engaged by the company, including not only the proposal concerning who should provide this service, but also the proposal relating to their fees (Point II.4.4 of the CMVM's Recommendations on the Corporate Governance Code and art. 3(8)(a) of the SBR)
In 2014 there was no need to propose the appointment of the Portuguese statutory auditors' on the grounds that their term of office was still in progress.

1.8. Overseeing the independence of Banco BPI's Portuguese statutory auditors and in this context to consider and decide, after having heard the Audit and Internal Control Committee, on the provision by the Portuguese statutory auditors of additional services to the BPI Group, as well as on the respective conditions
In terms of article 420(2) (d) of the Commercial Companies Code, the Supervisory Board supervised and evaluated the work and independence of Banco BPI's Portuguese statutory auditors (Deloitte & Associados, S.R.O.C.).

It approved the proposals for the performance of the audits and the annual plan for procedural reviews.

It approved the fees relating to the "Statutory Audit" and "Other Assurance Services" for all the Group entities in respect of which it is directly responsible and, through specific opinions, the contracting of additional services, controlling the proportion of the fees charged referring to "Tax consultancy services" and "Other non-statutory audit services" relative to the total fees contracted.

During 2014 the following fees payable to Deloitte for services rendered were adjudicated for the Group as a whole:

■ Statutory audit	1 188 300.00 euro
■ Other assurance services	928 724.00 euro
■ Tax advisory services	177 930.00 euro
■ Other non statutory audit services	222 000.00 euro

The above figures correspond to the provision of services adjudicated in 2014 irrespective of them having actually been rendered and invoiced, a situation that is referred to in the Board of Directors' Report.

The tax advisory and other non audit-related services, which include the preparation of the candidatures for the Tax Incentives System in R&D Empresarial II (SIFIDE 11) programme, as well as the assistance given to Banco Fomento de Angola in taxation-related matters and in the calculation of impairments, correspond to 15.93% of Deloitte's total fees adjudicated in 2014, with the portion relating to Banco BPI and its subsidiaries being 4.18% (the percentages indicated previously compare with the figures recorded in 2013, respectively 23.7% and 12.99%).

1.9. Approving, after having heard the Audit and Internal Control Committee, the External Auditors' annual work plan (art. 3(8)(e) of the SBR)

The external auditors' work plan for 2014 was approved at the Supervisory Board's meeting held on 13 March 2014, after having obtained the opinion of the Audit and Internal Control Committee.

1.10. Monitoring the inspections of the Bank of Portugal, the CMVM, the Instituto de Seguros de Portugal, the Directorate-General for Taxes and the Inspectorate-General of Finance carried out at Banco BPI and other group companies subject to supervision on a consolidated basis

The Board gathered information throughout the year on the Bank of Portugal's supervisory work, namely through its own inspection services or that of the external auditors designated by it, as well as of the other supervision authorities and the Inspectorate-General of Finance relating to all the Group companies subject to supervision on a consolidated basis, having paid special attention to the reports on the audits conducted by the Bank of Portugal.

1.11. Appraising the operational procedures, with the object of certifying that there is an effective management of the respective activities through the proper management of risks and of complete, reliable and timely financial and accounting information, as well as of an adequate monitoring system

The Supervisory Board gave special attention to the guidelines laid down by the Bank of Portugal, namely in its Notice 5 / 2008, complemented by the document "EBA Guidelines on Internal Governance" relating to aspects involving the risk control and operational control systems, having evaluated the operational procedures at Banco BPI, Banco Português de Investimento and the other Group companies, including the branches and subsidiaries.

Also bearing in mind Notice no. 9 / 2012, it issued an opinion on the activity relating to the oversight of the work covering the prevention of money laundering and the financing of terrorism.

The analysis was conducted based essentially on the findings of the audit examinations performed by the Audit and Inspection Division and by the Bank of Portugal's permanent inspection team, as well as the procedural reviews conducted by the external auditors, and on the activity reports of the Audit, Operational Risk Management, Compliance and Risk Control functions.

This information was complemented by the clarifications and information provided by the Divisions and Managements responsible, not only during the meetings of the Audit and Internal Control Committee but also the meetings of the Supervisory Board at which the presence of the persons in charge of the Bank's units was solicited. Special mention is made of the meetings with the Accounting, Planning and Statistics Division and with the Portuguese statutory auditors, at which the 2014 accounts were analysed.

1.11.1. Operational risk

Besides the information received via the audits and the annual report prepared by the area which controls Operational Risk, the Supervisory Board received information and all the documentation dealt with at the six meetings of the Operational Risk Control Committee, having had access to the portal where all the information relating to operational risk and to the meetings of the Operational Risk Committee is available.

1.11.2. Credit Risk

The Supervisory Board monitored the analysis carried out systematically to the trend in Customers' liabilities undertaken at the meetings of the Financial Risks Committee, which included:

- review of the 20 largest exposures to non-financial entities;
- behaviour of the 50 biggest impairments in Corporate and Small Business Banking;
- Customers with credit-risk exposures of more than 75 million euro;
- the following groups under observation:
  - 100 biggest Customers without individual impairment charges set aside;
  - 50 biggest Customers with individual impairment charges set aside;
  - 50 biggest Customers subject to recovery / judicial execution;
  - Project Finance portfolio projects;

- defaults of more than 250.000 € in Corporate and Small Business Banking;
- trend in the distribution of the Corporate Banking portfolio by rating class;
- trend in the 100 largest exposures in the construction and public works sector;
- trend in the 20 largest exposures in the real-estate sector;
- trend in the loan portfolio of groups controlled by entities resident in Spain;
- trend in the loan portfolio of non residents in Portugal and Spain; and
- trend in foreclosed properties and respective impairments of more than 250 th.€.

Business dealings between the company and shareholders with qualified holdings, or with entities with whom they have any of the relationships envisaged in terms of article 20 of the Securities Market Code, are always submitted for prior pronouncement by the Supervisory Board, irrespective of the amount involved.

In terms of article 109 of the General Regime for Credit Institutions and Financial Companies, the Supervisory Board was called upon to issue five prior opinions during 2014 relating to exposure-limit operations or review, under normal market conditions, involving Banco BPI shareholders with qualified holdings;

The Supervisory Board issued thirty four prior opinions pursuant to article 85(8) of the General Regime for Credit Institutions and Financial Companies, on operations or credit limit reviews, under normal market conditions, relating to entities at which members of Banco BPI's management or supervisory bodies are managers or in which they have qualified holdings.

1.11.3. Financial risks

The Supervisory Board continued to devote special attention to accompanying the evolution of the financial markets, with the aim of evaluating the strategy and initiatives followed in order to monitor the exposure to both higher-risk products and markets.

As regards the matters dealt with at the meetings of the Financial Risks Committee, it is worth mentioning the following:

- the Supervisory Board had access to the minutes of all the meetings of the Financial Risks Committee;
- the State's representative member of the Supervisory Board systematically participated at that committee's meetings and:
- other members of the Supervisory Board participated at the meetings whenever, bearing in mind the matters to be dealt with, these were considered to be of interest.

1.11.4. Reputational risk

Updated information about BPI's Service Quality Indices (SQI), in which the European Customer satisfaction index was used as the benchmark, was analysed, as were the service-quality indices relating to the competition and the Bank's quality index.

The Supervisory Board analysed the report on the Investor Relations Division's work dealing with the performance of its functions of disseminating financial information and interacting with investors, analysts and other market players.

The monitoring reports issued by the rating agencies were also the object of review.

It also reviewed and followed up all Irregularity Communications, i.e. meaning the facts that seriously violate or compromise:

a) compliance with the legal, regulatory, ethical and deontological principles to which the Members of the Governing Bodies and the Employees of the companies forming part of the BPI Group are bound in performing their respective functions;
b) the preservation of Customers', Shareholders' and BPI's own assets;
c) the preservation of BPI's institutional image and reputation, as well as those situations capable of constituting abuse of authority or bad management.

During the year seven communications were received, of which at the date of the drafting of this document, four had not yet been finalised, three was being reviewed by the Audit and Inspection Division and another was in the process of being clarified between the Bank's Legal Services and the Customer.

Communications of Irregularities relating to years prior to 2014 (namely the communications nos. 6 / 2012 and 1 / 2013) are still under way, currently in the appeal phase.

Of the Irregularity Communications closed:

- Case no. 8 / 2010 was closed after the Supreme Court ruling, with total loss for the Bank;
- Case no. 5 / 2013 was closed, with all the explanations having been given to the Customer, with no loss at all for the Bank;
- As regards the three communications received and closed in 2014:
  - In one of the cases, it relates to an anonymous letter which, having been taken into consideration, did not give rise to any process;
  - In another case, the Customer was found to be fully justified, with some damage to the bank's image; and
  - In the third case, the Customer was found to be partially justified, with the Bank having to consider the eventual cost to the bank in terms of its image.

1.11.5. Compliance risk

The Board monitored the Compliance Division's activity, namely with respect to the control over money laundering and terrorist financing activities, as well as the relationship with the authorities responsible for overseeing this matter.

Besides the sporadic monitoring of this Division's activity, the Supervisory Board also reviewed the following documents:

- This Division's activity report with reference to March 2014;
- Report corresponding to the status of the Compliance function as at 31 May 2013, as laid down in article 17(1)(f) of Bank of Portugal Notice no. 5 / 2008, published on 1 July and article 305-A(2)(f) of the Securities Code; and
- Report on the prevention of money laundering and the financing of terrorism in terms of Bank of Portugal notice 9 / 2012.

1.11.6. Monitoring audit work

As regards the monitoring of the audit areas, both internal and external, special mention is made of the Supervisory Board's participation:

- in the drafting of the report on and accompanying the quarterly Internal Audit work plans;
- in the approval and monitoring of the external auditor's annual procedural review plans, assessing the extent thereof, bearing in mind the coverage of the areas exposed to the greatest potential risk;
- in the appraisal of the findings of the audits realised, both internal and external, and keeping abreast of the recommendations considered important, as well as the degree of their compliance and the time frames for their implementation;
- in the analysis of the coverage schedules of the audits carried out in the past 3 years;
- in the half-yearly review of the events giving rise to losses;
- in the review of the activity report drawn up to June 2014.

The Supervisory Board was regularly informed about the communications sent to the Bank of Portugal relating to keeping track of the recommendations made within the ambit of the Special Inspections Programme carried out by the Bank of Portugal's permanent inspection team, as well as the respective implementation timetables.

1.11.7. Report to the Bank of Portugal – Notice no. 5 / 2008

The Supervisory Board issued opinions which it submitted to the Bank of Portugal, in terms of Notice 5 / 2008, on the effectiveness and coherence of Banco BPI's and the BPI Group's internal control and risk management systems.

To this end:

- it considered the annual internal control reports prepared by the Boards of Directors of all the Group companies subject to Bank of Portugal supervision;
- it analysed the opinions of the respective Portuguese statutory auditors on the internal control system underlying the preparation and dissemination of financial information; and
- it reviewed the reports prepared by the Audit and Inspection Division; External Auditor; the Risk Analysis and Control Division, the Compliance Division and the Organisation Division – Operational Risk.

1.11.8. Report to the Bank of Portugal – Notice no. 9 / 2012

The Supervisory Board issued a report which it sent to the Bank of Portugal in June 2014, on its activity relating to the supervision of the work aimed at the prevention of money laundering and the financing of terrorism, covering the period June 2013 to May 2014.

BPI

1.12. Giving an opinion on the report, accounts and proposals presented by the Board of Directors
In terms of article 420(g) of the Commercial Companies Code, the Supervisory Board, besides the meetings for conducting the detailed analysis of the accounts with:

- the managers of the Accounting, Planning and Statistics Division;
- the Portuguese statutory auditors,

examined:
- the balance sheet at 31 December 2014, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity, and the respective notes thereto;
- the Directors' report prepared by the Board of Directors for the 2014 financial year;
- the report on the Audit and Internal Control Committee's activity;
- the statutory audit certification and the audit report prepared by the Portuguese statutory auditors, with which it concurred.

During the year, the Supervisory Board discussed a number of issues relating to the Bank's compliance with corporate governance recommendations.

In analysing the report on the corporate governance structure and practices, it was noted that the matters referred to in article 245 of the SMC (Articles 420(5), 423-F / 2, 441 / 2 and 451 / 4 and 5 of the CCC) were dealt with and that this corresponds to the practices that it monitored during the course of the year.

Below is the transcript of the declaration that was individually signed by each one of the members of the Supervisory Board:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2014 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial position and the results of that company and of the companies included in the consolidation scope, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation scope business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

2. SUPERVISORY BOARD'S OPINION
In view of the foregoing, the Supervisory Board is of the opinion that the consolidated financial statements and the Directors' Report, as well as the proposal contained in it, are in conformity with applicable accounting, legal and statutory requirements, as a result of which it recommends that they be approved at the Shareholders General Meeting.

Oporto, 26 March 2015

Abel Pinto dos Reis – Chairman

Jorge Figueiredo Dias – Member

Rui Campos Guimarães – Member

BPI Group
Corporate Governance Report

This report – which constitutes an integral part of Banco BPI's 2014 Annual Report – aims to divulge the structure and corporate governance practices adopted by BPI as well as BPI's judgment regarding compliance with the recommendations set out in the Corporate Governance Code, in the version published by the Securities Commission ("CMVM") in July 2013. This report was elaborated in accordance with Articles 7.º and 245-A of the Portuguese Securities Code and the model annexed to Regulation no. 4 / 2013.

Index

Part I – Information on Shareholder structure, organisation and corporate governance

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. Capital structure

At 31 December 2014 Banco BPI's share capital stood at 293 063 324.98 Euros, represented by 1 456 924 237 ordinary, nominative and dematerialised shares, with no par value. All the shares were admitted for dealing on the Euronext market.

On the same date – 31 December 2014 – Banco BPI's shares were held by 21 418 Shareholders. Of these, 20 890 were individuals holding 12% of the capital, while 528 were institutional investors and companies who collectively held the remaining 88% of the capital.

2. Restrictions on the transfer of shares

The Company's Statues do not contain any restrictions on the transfer of shares, such as consent clauses for the sale or limitations to the ownership of shares.

3. Own shares

At 31 December 2014 the BPI Group held 6 181 589 own shares corresponding to 0.42% of Banco BPI's share capital and voting rights[1].

4. Important agreements in cases such as a change in the control of the company

There are no significant accords of which BPI forms part and which enter into effect, are altered or cease in the event there is a change in the control of the company. Three loans totalling 601 million euro contain clauses which, in case of a change in control, contemplate consequences which, once certain circumstances are fulfilled, could include the obligation to make early repayment.

5. System that is subject to a change of the statutory provision that limits the number of votes cast by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The change to this statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM).

Banco BPI's statutes do not incorporate the measures as regards the maintenance of those limits being the object of periodic reappraisal in General Meeting (contrary to what is contemplated in Recommendation I.4 of the CMVM's Corporate Governance Code), which is explained by:

- on the one hand, it is always possible for Shareholders who wish to alter or suppress the aforesaid statutory rule to propose at any moment and after observing the requisites for this purpose envisaged in the law, to submit to the General Meeting a proposal advocating such alteration or suppression;
- on the other hand, because it is considered to be a rule which constitutes a very important option in the company's affairs, its modification should only take place when there is a will that (i) is unequivocal and backed by a large majority in this regard and (ii) results from a balanced participation of the various shareholders, desirous that these are not considered attainable if it is accepted that this modification may be approved by resolution passed by a simple majority and without the voting limit functioning[2].

6. Shareholders' agreements

The Bank is not aware of any shareholder agreement relating to the exercise of company rights or to the transfer of Banco BPI shares.

II. SHAREHOLDINGS AND BONDS HELD

7. Holders of qualifying shareholdings

Shareholders owning more than 2% of Banco BPI's capital[3]

At 31 December 2014

Shareholders	No. of shares held	% of capital held
CaixaBank, S.A.	642 462 536	44.10%[3,4]
Santoro Finance – Prestação de Serviços, S.A.	270 643 372	18.58%[5]
Allianz SE	122 744 370	8.42%[6]

Note: Shareholder positions recorded at 31 December 2014 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários.

There are no special rights attributed by the Statutes to shareholders, with the result that there are no shareholders with special rights.

1) The balance of own shares at the end of December 2014 does not include 550 617 shares awarded subject to a condition subsequent under the RVA programme but not yet freely disposable. The transfer of the shares awarded under the RVA programme is fully effected on the award date, but availability (vesting) is dependent on the Employee remaining at the BPI Group, so that for accounting purposes, the shares remain in Banco BPI's own portfolio until the vesting (disposable) date.
2) Regarding this voting limit, see the note included in item 13.
3) According to a statutory provision, for counting purposes the voting rights are limited to 20%.
4) The stake held through Caixabank, S.A. ("CaixaBank"), is also imputable, as of 31 December 2014, to Criteria CaixaHolding, S.A.U., which holds 58,91% of CaixaBank, which is in turn dominated by Caixa d'Estalvis i Pensions de Barcelona, "La Caixa", holder of 100% of the respective voting rights, in terms of article 20(1)(d) of the SC.
5) Directly held by Santoro Finance – Prestação de Serviços, SA ("Santoro Finance"), and imputable, in terms of article 20(1)(b) of the SC, to Santoro Financial Holdings, SGPS ("Santoro"), as owner of the entire capital of Santoro Finance, and to Eng. Isabel José dos Santos, in her capacity as controlling shareholder of Santoro Financial Holdings, SGPS.
6) Indirect stake held by subsidiaries controlled by Allianz SE, holding of Allianz Group, and imputable, in terms of article 20(1)(b) of the SC; direct shareholding of 8.27% held by Allianz Europe Ltd. (100% held by Allianz SE) and a direct shareholding of 0.15% held by Companhia de Seguros Allianz Portugal (65% held by Allianz SE).

Beyond the holdings exceeding 2% previously mentioned, there is a group of reference shareholders that hold positions higher than 1% in the company's capital. As of 31 December 2014, a group of shareholders who jointly are here designated as Arsopi[1], held stakes that, when aggregated, amounted to 2.1% of the share capital of Banco BPI. At the same date, HVF SGPS[2] had a stake of 1.96% and Nors Group[3] (formerly Auto-Sueco, Lda.) had 1.52% of the Bank's capital.

8. Number of shares and bonds held by members of the management and supervisory boards[4]

Held at 31 Dec. 14	Shares	Options on BPI shares	Bonds	
	Quantity	Quantity	Quantity	Nominal value (€)
Board of Directors				
Artur Santos Silva	500 000	0	0	
Fernando Ulrich[5]	2 092 180	0	0	
Alfredo Rezende de Almeida	2 250 000	0	0	
António Domingues[5]	56 042	426 820	0	
António Lobo Xavier	0	0	0	
Armando Leite de Pinho	0	0	0	
António Massanell Lavilla	0	0	0	
Carlos Moreira da Silva	66 333	0	0	
Edgar Alves Ferreira	227 273	0	0	
Herbert Walter	0	0	0	
Ignacio Alvarez-Rendueles	0	0	0	
Isidro Fainé Casas	0	0	0	
João Pedro Oliveira e Costa[5]	10 708	127 249	0	
José Pena do Amaral[5]	184 913	358 530	0	
Manuel Ferreira da Silva[5]	930 884	557 256	0	
Marcelino Armenter Vidal	0	0	0	
Maria Celeste Hagatong[5]	885 151	0	0	
Mário Leite da Silva	0	0	0	
Pedro Barreto[5]	500 000	667 237	0	
Tomaz Jervell	15 680	0	0	
Vicente Tardio Barutel	0	0	0	
Santoro Finance – Prestação de Serviços, S.A.	270 643 372	0	0	
Supervisory Board				
Abel Pinto dos Reis	0	0	0	
Jorge Figueiredo Dias	0	0	0	
Rui Campos Guimarães	0	0	0	

In the note to the consolidated financial statements 4.52 – Related parties, information is provided concerning the shares held individually by the members of Management, with mention of the events occurring during the year.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase

There is no existing authorisation that gives special powers to the Board of Directors, especially as regards resolutions on the capital increase.

1) At 31 December 2014, companies controlled by the director Armando Leite de Pinho held 7 856 695 shares representing 0.5% of BPI's capital. Persons related by family ties and companies linked to them owned holdings which, added to the abovementioned, totalled 30 188 952 shares representing 2.1% of BPI's capital. According to the information which the Bank has, this does not mean that the aforesaid aggregate constitutes a qualified shareholding in BPI in terms of article 16 and following of the Securities Code.

2) Participating interest held via Violas Ferreira Financial, S.A., whose share capital is fully held by HVF, SGPS, S.A., and, in terms of the provisions of article 20(1)(a) of the SC, includes 227 273 shares held by Edgar Alves Ferreira (0.02% of Banco BPI's capital), member of the Board of Directors of HVF – SGPS.

3) Participating interest held via Norsocia SGPS, S.A. and Ascendum España S.L., held, as of 31 December 2014, respectively, at 100% and 50% by Nors Group (formerly Auto-Sueco, Lda.). These companies had as of 31 December 2014, respectively, 11 050 105 and 11 084 734 shares of Banco BPI, representative of 0.758% and 0.761% of Banco BPI's share capital.

4) The information reported related to the members in functions at 31 December 2014.

5) Member of the Executive Committee.

10. Information on any significant business relationships between the holders of qualifying holdings and the company

Any transaction of business between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the SMC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof.

During 2014 the Supervisory Board was called upon – in terms of article 109(3) of the General Regime for Credit Institutions and Financial Companies – to issue five prior opinions on operations with or the review of exposure limits under normal market conditions of shareholders with qualified holdings.

Similarly, the Supervisory Board issued thirty four prior opinions in terms of article 85(8) of the General Regime for Credit Institutions and Financial Companies on operations or the review of credit limits involving companies in which the members of the management or supervisory body were managers or in which they held qualified holdings.

There were no business dealings or operations in 2014 between Banco BPI on the one hand, and the members of its Board of Directors, its Audit Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

However, it is important to disclose the following business relations existing between BPI and some of the holders of qualified shareholdings.

Namely:

Allianz Group

BPI is in partnership with the Allianz Group in the life assurance and life risk business, materialised in a 35% interest in Allianz Portugal and in an agreement for the distribution of insurance through its commercial network.

The Allianz Group owns an 8.4% shareholding in Banco BPI at 31 December 2014.

La Caixa

BPI has a partnership with La Caixa reflected in the offer of products and services aimed at supporting companies operating in the Iberian Peninsula, allowing them to conduct international financial operations under the conditions equal to those performed in their home markets.

Arsopi[3]

BPI has a partnership with the Arsopi, evidenced by:

- a 14%[4] shareholding in a holding company called Viacer;
- a direct and indirect shareholding (via Viacer) of 13.5%[5] and 9.5%, respectively, totalling 23.02% in the holding company called Petrocer (at the moment is deactivated).

Viacer's most significant assets are a 56% shareholding in Unicer – one of the country's biggest drinks manufacturers and distributors.

1) From which revenue is derived in the form of a share in the profits (from the shareholding) and commissions (for the selling of insurance at the bank's network).
2) Consolidated participation in Banco BPI's accounts using the equity method.
3) The firm Arsopi does not have a qualified holding in terms of article 20 of the Securities Code, as explained in note 1 of page 288.
4) The Arsopi Group has a shareholding of 28%.
5) The Arsopi Group owns a direct holding of 5.0% and an indirect holding – via Viacer – of 19.0%.

B. GOVERNING BODIES AND COMMITTEES

GOVERNANCE MODEL

BPI's governance model is structured according to one of the three models contemplated in the Commercial Companies Code – commonly referred to as the Latin model.

The company's management is entrusted to the **Board of Directors** which includes an **Executive Committee** – formed by professionals independent from any shareholders' or specific interests – to which the Board has delegated wide management powers for conducting the day-to-day activity.

Four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members: (i) The **Audit and Internal Control Committee** (Comissão de Auditoria e Controlo Interno – CACI), which works in close proximity to the Executive Committee; (ii) the **Financial Risks Committee** (Comissão de Riscos Financeiros – CRF), which is responsible, without prejudice to the duties in this domain vested in the **Supervisory Board**, for following closely the management policy covering all financial risks, including credit risks, arising from the Bank's operations, as well as monitoring the management of the Bank's pension fund; (iii) the **Corporate Governance Committee** (Comissão de Governo da Sociedade – CGS), which is charged with supporting and advising the Board of Directors on streamlining the governance and oversight model and pronouncing itself on matters pertaining to social responsibility, ethics, professional deontology and protecting the environment and (iv) the **Nominations, Evaluation and Remuneration Committee** (Comissão de Nomeações, Avaliação e Remunerações – CNAR), whose duties are to give opinions on the filling of vacancies occurring on the governing bodies and on the choice of Directors to be appointed to the Executive Committee, and to exercise the functions which on the subject of remuneration policy are envisaged in article 7 of Bank of Portugal Notice 10 / 2011.

The oversight functions are attributed to the Supervisory Board – whose key terms of reference include, overseeing management, supervising compliance with the Law and the company's Statutes, verifying the accounts, supervising the independence of the Portuguese Statutory Auditor and the external auditor, as well as evaluating the last-mentioned's work – and to the **Portuguese Statutory Auditor** (ROC), whose prime function is to examine and then certify the accounts.

The **General Meeting**, composed by all Shareholders, deliberates on the issues which are specifically attributed to it by the law or by the Statutes – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –, as well as if so solicited by the Board of Directors, on matters dealing with the company's management.

The **Remuneration Committee** (Comissão de Remunerações – CR), composed of three shareholders, is elected by the General Meeting. The Committee sets the remuneration of the holders of positions on Banco BPI's governing bodies, based on the opinion of the CNAR, and must observe, as regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, the limits laid down by the General Meeting.

The **Company Secretary** is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed by the Bank.

At 31 December 2014

Remuneration Committee

CaixaBank, S.A.[4]
Arsopi – Holding, SGPS, S.A.[5]
Violas Ferreira Financial, S.A.[6]

General Meeting Committee

Chairman
Miguel Luís Kolback da Veiga

Deputy-Chairman
Manuel Cavaleiro Brandão

Secretaries
Alexandra Magalhães
Luís Manuel Amorim

Supervisory Board

Chairman
Abel António Pinto dos Reis

Members
Jorge de Figueiredo Dias
Rui Guimarães

Alternate members
Francisco Javier Olazabal
Luis Pinho Patricio

Board of Directors

Chairman
Artur Santos Silva

Deputy-Chairman
Fernando Ulrich

Members
Alfredo Rezende de Almeida
Allianz Europe, Ltd.[1]
António Domingues
António Lobo Xavier
António Massanel Lavilla[2]
Armando Leite de Pinho
Carlos Moreira da Silva
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Isidro Fainé Casas
João Pedro Oliveira e Costa
José Pena do Amaral
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Mário Leite da Silva
Pedro Barreto
Santoro Finance – Prestação de Serviços, S.A.
Tomaz Jervell
Vicente Tardio Barutel[3]

Nominations, Evaluation and Remuneration Committee

Chairman
Marcelino Armenter Vidal

Members
António Lobo Xavier
Carlos Moreira da Silva

Corporate Governance Committee

Chairman
Artur Santos Silva

Members
Armando Leite de Pinho
Tomaz Jervell
Vicente Tardio Barutel[3]

Financial Risks Commission

Chairman
Artur Santos Silva

Members
Marcelino Armenter Vidal
Herbert Walter[1]

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[7]

Alternate
Carlos Luís Oliveira de Melo Loureiro

Audit and Internal Control Committee

Chairman
Ruy Octávio Matos de Carvalho[8]

Members
Alfredo Rezende de Almeida
Ignacio Alvarez-Rendueles
Mário Leite da Silva
Edgar Alves Ferreira

Company Secretary

Member in office
João Avides Moreira

Alternate
Fernando Leite da Silva

Executive Committee of Board of Directors

Chairman
Fernando Ulrich

Deputy-Chairman
António Domingues

Members
José Pena do Amaral
Maria Celeste Hagatong
Manuel Ferreira da Silva
Pedro Barreto
João Pedro Oliveira e Costa

1) Allianz Europe, Ltd. nominated, in terms of article 15(2) of Banco BPI, S.A.'s Statutes, Herbert Walter to exercise the terms in his own name. Herbert Walter resigned his position with effect from 15 January 2015, after which Allianz Europe, Ltd. Appointed on 29 January 2015 Carla Sofia Bambulo to fill the resulting vacancy. She was appointed a member of the Corporate Governance Committee at the Board of Directors meeting of 13 March 2015.
2) Co-opted on 24 October 2014. The aforementioned co-option will in legal terms be submitted for ratification by the Shareholders at the next General Meeting. Registration at the Bank of Portugal in terms of article 69 of the General Regime for Credit Institutions and Financial Companies is pending.
3) Registration at the Bank of Portugal in terms of article 69 of the General Regime for Credit Institutions and Financial Companies is pending. He was appointed member of the Financial Risks Committee at the Board of Directors meeting of 13 March 2015, having ceased to be a member of the Corporate Governance Committee with effect from that date.
4) CaixaBank, S.A, designated Isidro Fainé Casas to represent it in this position.
5) Arsopi-Holding, SGPS, S.A. nominated Armando Leite de Pinho to represent it in the exercise of this office.
6) Violas Ferreira Financial, S.A. is totally held by HVF, SGPS, S.A. and nominated Edgar Alves Ferreira to represent it in the exercise of this office.
7) Deloitte & Associados, SROC, S.A. nominated António Marques Dias to represent it in the exercise of this office.
8) Member not belonging to the Board of Directors.

I. GENERAL MEETING

The General Meeting (GM) is the governing body composed of all Banco BPI's shareholders.

GENERAL MEETING'S PRINCIPAL TERMS OF REFERENCE

- Election of members of the Board of Directors, the Supervisory Board, the Remuneration Committee and Chairman, Deputy-Chairman and Secretaries of the General Meeting Committee, as well as the election of the Portuguese Statutory Auditor.
- Consideration of the Board of Directors' annual report, discussion and voting on the consolidated and individual accounts, as well as on the Portuguese Statutory Auditor's opinion.
- Evaluation of the Board of Directors' and the Portuguese Statutory Auditor's performance.
- Deliberation on the appropriation of the annual results.
- Definition of a maximum limit for the annual fixed remuneration of the members of the Board of Directors and of the maximum percentage of consolidated profit which, not exceeding 5%, the variable remuneration of the members of the Executive Committee may represent each year.
- Review of the strategic orientation and policies adopted.
- Deliberation on a long-term dividend policy proposed by the Board of Directors.
- Deliberate on the acquisition and sale of treasury stock.
- Deliberation on the capital increases and the issue of bonds convertible into shares or that confer the right to subscribe for shares.
- Deliberation on changes to the statutes.

Representative of the external auditor

The external auditor, through the partner responsible for the audit of Banco BPI's consolidated financial statements, is present at the Annual General Meetings, and is available to clarify any query related to the opinions issued on Banco BPI's individual or consolidated accounts.

Representative of the Remuneration Committee

The presence of at least one member of the Remuneration Committee at the General Meetings is always assured.

Functioning rules

According to the law, the Annual General Meeting must meet by the end of May[1]. In addition, the Committee Chairman must convene extraordinarily the General Meeting whenever this is requested by the Board of Directors, the Supervisory Board or by shareholders owning shares corresponding to the minimum number by imperative law and who so request by means of a signed written document which indicates in precise terms the matters that should appear on the agenda and which justify the need for the General Meeting, and must be accompanied by the relevant draft resolutions.

Constituent Quorum and required majority

The General Meeting can deliberate at its first convocation irrespective of the number of shareholders present or represented, except if it deliberates on altering the Bank's statutes, merger, demerger, and transformation, dissolution of the Company or other matters for which the law requires a qualified majority without specifying it. In these cases, it is necessary that shareholders who own at least shares corresponding to a third of the share capital must be present or represented.

At the second convocation, the Meeting can deliberate irrespective of the number of Shareholders present or represented and the capital represented by them.

In terms of article 386 of the Commercial Companies Code (CCC), the General Meeting deliberates by a majority of the votes cast irrespective of the percentage share capital represented thereat, with abstentions not being counted. The law and the statutes can however require a qualified majority should this be the case:

a) of the resolutions relating to the matters for which the law prescribes a constitutive quorum of one third of the share capital, which in terms of article 386(3) of the CCC, have to be approved by two thirds of the votes cast;
b) of the resolutions amending the Statutes relating to the limitation of the voting rights cast by one only shareholder (article 12(4) and (5) and article 30(2)) and of the resolution concerning the company's dissolution, in respect of which the Bank's statutes require the approval by 75% of the votes cast.

Right to information

During the course of General Meetings, any Shareholder can request that information be supplied so that he / she can form a substantiated opinion about the matters being deliberated.

1) In terms of article 376(1) of the Commercial Companies Code, the Shareholders General Meeting must meet within three months after the close of the financial year, or within five months in the case of companies required to present consolidated accounts or which apply the equity accounting method.

11. Shareholders' General Meeting

The composition of the General Meeting Committee appears in the organisation chart "Governing bodies and Committees" (page 291 of the present report).

The members of the General Meeting Committee were elected at the General Meeting of 23 April 2014 for a term of three years which ends on 31 December 2016.

12. Attribution of the right to vote

A shareholder is entitled to vote if he / she / it owns at least one Banco BPI share on the fifth trading day prior to the holding of the General Meeting (registration date), in accordance with the principle of "one share / one vote".

Procedures relating to representation

BPI provides to Shareholders in its web site www.ir.bpi.pt, in the page dedicated to the General Meeting, the meeting notices, as well as the proxy forms – available in Portuguese and English.

The proxies are communicated by a signed written document addressed to the Chairman of the General Meeting Committee, at the latest by the end of the day prior to the above-mentioned registration date.

Procedures relating to postal voting

Postal voting is envisaged in the statutes. BPI provides to Shareholders, on Banco BPI's head Office and on its web site, self-addressed ballot papers to the Chairman of the General Meeting, by means of which the Shareholder can clearly cast his / her / its vote.

The ballot paper must be signed and the authentication of the signature (by a notary, lawyer or solicitor) must be recorded on it. The ballot papers must be received at Banco BPI's head Office by 6.00 pm of the third business day before the date scheduled for the General Meeting. The description of the manner how the scrutiny of postal votes takes place in General Meeting appears in the notice of meeting.

The confidentiality of the postal votes is assured by the Bank up till the moment of the opening of the respective ballot papers by the Chairman of the General Meeting Committee. On this date, the safeguarding of such confidentiality is now guaranteed by the Chairman of the General Meeting Committee up until the moment of voting.

The Chairman of the General Meeting is responsible for checking the authenticity of the voting papers, as well as the conformity with the rules and the absence of vote duplication stemming from the presence at the General Meeting of the shareholders whose vote arrived by post. The postal vote is deemed to be revoked in the case of the presence of the Shareholder or the respective proxy at the General Meeting.

The Chairman of the General Meeting Committee informs those present of the number and the results of the postal votes received.

Procedures relating to voting by electronic means

BPI offers its Shareholders the possibility of casting votes by means of electronic mail. The procedures required for voting by electronic mail are in part similar to those required for postal voting: BPI provides to Shareholders a draft – available in Portuguese and English – that allows them to opt for the system of electronic voting. This draft can be obtained from the web site www.ir.bpi.pt or upon request to the Investor Relations Division. The draft must be signed and the signature must be authenticated by a notary, lawyer or legal clerk.

In the draft, which must be addressed to the Bank, the Shareholder is asked, amongst other details, to provide a password and indicate the email address. BPI sends the Shareholder an email indicating his counter password which, jointly with the initial password, will give him access to an electronic ballot paper on a page at the site www.ir.bpi.pt. The Shareholder can exercise his voting right until 6 p.m. of the third business day before that set for the Meeting.

13. Maximum percentage of voting rights that may be exercised by a single shareholder

Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted.

The principal limiting the number of votes cast by a sole shareholder was proposed by the General Board with the object of promoting a framework conducive to a balanced participation of the principal shareholders in the company's affairs, from the standpoint of Shareholders'[1] long-term interests. In its initial formulation, which was approved by the Shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, a limit was set of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to 17.5%, by way of a resolution approved by a majority of 77.4% of the votes cast and was finally increased to the current 20% by unanimous voting at the GM of 22 April 2009.

1) The Board of Directors records in this respect that on 17 February 2015 its shareholder CaixaBank, S.A. disclosed the preliminary announcement of a takeover bid for Banco BPI shares, which places as a condition for the bid's realization is the elimination of the limitation on the counting of votes concerned. The members of the Board of Directors who have management positions in the CaixaBank, S.A. group have argued in favor of the revision of the aforementioned limitation since 2011.

14. Shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority

According to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a shareholder and entities related to him / her), to number one of article thirty one (provision which fixes a special qualified majority for the company's winding up), as well to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast).

It will be recalled in this regard and in the first place, that the aforesaid rule laid down in the Commercial Companies Code is mandatory only as regards the minimum limit. That is, companies are free to set in their statutes higher qualified majorities.

In second place, Banco BPI is of the opinion that there exists justification for the alteration to the statutory rules in question to be subject to a more demanding qualified majority than the qualified majority envisaged in the law. This justification stems from the conjugation of the following two aspects:

- the statutory rules in question (remember, rules governing the limitation on voting and the company's winding up) refer and represent options relating to highly important aspects relating to the company's affairs; in the first case, with a solution which seeks to promote a balanced participation of the shareholders in the company's affairs; in the second case, what is at stake is the company's own subsistence;

- in the case of statutory rules which take the form of very important options for the company's affairs, their alteration should only take place when there is an unequivocal and large majority will in this regard; it is deemed for this purpose that it is appropriate to set the aforementioned seventy five per cent majority of the votes cast.

Finally, it will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital.

II. MANAGEMENT AND SUPERVISION

15. Details of corporate governance model adopted

The governance model adopted by BPI is contemplated in the Commercial Companies Code and is commonly referred to as the Latin Model, which is presented in great detail on page 290 ("B. Governing Bodies and Committees").

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors

The Statutes do not contain any rules governing procedural or material requirements related to the appointment or replacement of members of the Board of Directors.

However article 29(3) of the Statutes contains a limitation applicable to the appointment of Board of Director members forming part of the Executive Committee and which prescribes that *"Any member of the Board of Directors aged 62 or more at 31 December of the preceding year cannot be appointed to the Executive Committee."*

In compliance with the provisions of article 30-A(2) of the RGICSF the internal policy for the selection and evaluation of the suitability of the members of the governing and oversight bodies shall be submitted for the Shareholders' approval at the 2015 Annual General Meeting.

The RGICSF sets out the requirements of integrity, professional qualification, independence and availability that the members of the management and oversight bodies should meet so that they can, after evaluation, be considered to be suitable for exercising the respective functions.

The *"Policy for Selection and Evaluation of the members of the Board of Directors, the Supervisory Board and the holders of essential functions"*, which will set out the demands and requisites of the law applicable to the aforesaid members, shall be submitted for Shareholders' deliberation at the General Meeting to be held in 2015.

17. Composition of the Board of Directors

The composition of the Board of Directors and of its consultative committees is presented in the organisation chart "Governing bodies and Committees" (page 290 of the present report). As concerns the date of the 1st appointment and term of office, one must consult the annex, page 352).

The term of office in progress (2011 / 2013) ended on 31 December 2013. In terms of the law, the members of the governing bodies continued in office until the election of the new composition, which took place at the Shareholders' General Meeting of 23 April 2014. Thus the members António Farinha Morais and Klaus Dührkop remained in office until 23 April 2014, on which date their ceased their respective functions following the election of the new composition of the Board of Directors.

Still during the course of 2014, the Board of Directors member Juan Maria Nin presented his resignation with effect from 31 August. On 24 October 2014 the Board of Directors co-opted Antonio Massanell Lavilla to fill the vacancy, which co-option will be submitted for ratification at the next Shareholders' General Meeting.

In terms of article 15 of the Statutes *"The Board of Directors is composed of a minimum number of eleven and a maximum number of twenty five members, elected by the General Meeting, who shall nominate the chairman from amongst their number and, if deemed necessary, one or more deputy chairmen."*

Still according to article 29 of the Statutes: *"The members of the governing bodies are elected for terms of three years, while re-election is always permitted, with the exception of the members of the Supervisory Board who can only be re-elected for two more consecutive terms of office."*

18. Independence of the Board of Directors members

The organisation chart "Governing bodies and Committees" (page 291) presents the composition of the Board of Directors, indicating its members who make up the Executive Committee.

Non-executive members of Banco BPI's Board of Directors At 31 December 2014

	Board of Directors consultative committees				
	Audit and Internal Control Committee	**Financial Risks Committee**	**Corporate Governance Committee**	**Nominations, Evaluation and Remuneration Committee**	**Independence basis**
Chairman					
Artur Santos Silva		Chairman	Chairman		Independent
Members					
Alfredo Rezende de Almeida	Member				Independent
António Lobo Xavier				Member	Independent
Armando Leite de Pinho			Member		Independent
António Massanell Lavilla					✓
Carlos Moreira da Silva				Member	Independent
Edgar Alves Ferreira	Member				Independent
Herbert Walter		Member			✓
Ignacio Alvarez-Rendueles	Member				✓
Isidro Fainé Casas					✓
Marcelino Armenter Vidal		Member		Chairman	✓
Mário Leite da Silva	Member				✓
Tomaz Jervell			Member		Independent
Vicente Tardio Barutel			Member		✓

Independent: In terms of recommendation II.1.7 of the Corporate Governance Code disclosed by the CMVM, a member of the Board of Director is deemed to be Independent when he / she is not associated with any specific interest group in the company and is not in any situation that is capable of affecting his / her impartial analysis or decision, namely by virtue of:

a) Having been an Employee of the company or of a company controlled by it or with which there has been a group relationship in the preceding three years;

b) Having, in the preceding three years, rendered services or established a significant commercial relationship with the company or a company controlled by it or with which there has been a group relationship, whether directly or as member, administrator, director or officer of a corporate entity;

c) Being a beneficiary of remuneration paid by the company or by a company controlled by it or with which there has been a group relationship, besides the remuneration derived from the exercise of directorship functions;

d) Living under a common law union or being the spouse, relative or direct relative up to the 3rd degree of lineage, inclusive, of directors or natural persons who are the direct or indirect holders of a qualified holding;

e) Being the holder of a qualified holding or the representative of a shareholder with a qualified holding.

The director concerned is not covered by any of the situations referred to in sub-paragraphs a) to e) which constitute the norm in question, nor is he covered by the situation described in ✓.

✓ The director concerned is not the holder of a qualified holding of 2% or more of the company's capital; the director concerned occupies a management position (s) in an entity(ies) holding a qualified holding of 2% or more of Banco BPI's capital or in its group entity(ies), a fact which in the opinion of the Board of Directors does not mean, nor does it have as a consequence, that the aforesaid director must be deemed to be a person who is acting in the name or on behalf of the abovementioned entity(ies); if however the broad meaning of the phrase "representative of a shareholder with a qualified holding" is construed so that such action is deemed to exist by virtue of the simple fact that he is an executive of the said entity(ies), then the director indicated finds himself in that situation.

19. Professional qualifications and other relevant curricular details of members of the Board of Directors

Consult the Annex to the present report (page 352).

20. Family, professional or commercial relationship, habitual and significant, of the members of the Board of Directors with shareholders to whom a qualified holding of 2% or more of the voting rights is imputed

As referred to in point 7 of the present report, the shareholders with a qualified holding of more than 2% corporate entities. Accordingly and naturally, there does not exist any family relationship between the members of the Board of Directors and shareholders with a qualified holding of more than 2%.

The professional relationships of the members of the Board of Directors with shareholders holding a qualified holding of more than 2% are described with respect to each member in annex to the present document, detailing therein the professional positions occupied in the corporate shareholders with qualified holdings of more than 2%.

BPI has not received any communication of any commercial relationships, habitual and significant, between the members of the Board of Directors and corporate shareholders with qualified holdings of more than 2% in BPI.

21. Apportionment of duties between the various governing bodies and committees

21.1. Board of Directors

The Board of Directors is the corporate body to which the widest powers have been attributed in order to manage and represent the company, without prejudice to the specific powers which the law vests in the Supervisory Board. The BPI Group's major strategic options are laid down by it.

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

- To appoint the Executive Committee from amongst their members.
- To define the BPI Group's general policies: for this purpose, the BPI Group shall mean the group of credit institutions and financial companies controlled directly or indirectly by Banco BPI, S.A., including the entities with management contract to be assumed by BPI.
- To approve the strategic plan and operating plans and budgets, both annual and pluri-annual, and the alterations thereto, and to periodically monitor their execution.
- To prepare the documents forming the annual report and accounts and the proposed appropriation of net income, to be presented at the General Meeting.
- To take the initiative to propose any amendments to the statutes and capital increases, as well as bond issues which do not fall within its powers, presenting the corresponding proposals to the General Meeting.
- To approve the code of conduct of the companies controlled fully by the BPI Group.

Furthermore, the Board of Directors is responsible for practising all the other acts which are necessary or appropriate for the pursuance of the business activities falling within its objects clause and, in particular:

- to represent the company in and out of court, as plaintiff and defendant, to institute and contest any legal or arbitration proceedings, to confess, withdraw or reach a compromise in any legal actions or to abide by arbitrators' decision;
- to acquire, dispose of or encumber any assets or rights;
- to deliberate, in the terms of paragraph two of Article three of the Articles of Association, on the company's participation in the equity capital of other companies and in partnership association (joint venture) contracts, in complementary corporate groupings and in European economic-interest groupings;
- to approve shareholdings in banks and insurance companies, as well as their disposal;
- to approve loan operations to companies or groups of companies where the exposure exceeds 300 M.€;
- to appoint the Directors of the banks controlled by BPI;
- to appoint authorised signatories to perform certain acts or categories of acts, defining the extension of the respective mandates.

The Board of Directors is also responsible for the following:

- to delegate to an Executive Committee, composed of three to nine members, the day-to-day management of the Company, subject to the limits to be fixed in the resolution approving such delegation;
- to co-opt Directors to fill any vacancies which may occur;
- to appoint a Company Secretary and an alternate Secretary;
- to draw up a set of internal rules of procedure and approve the functioning regulations for the Executive Committee to be appointed, as well as for the Audit and Internal Control Committee, the Nominations, Evaluation and Remuneration Committee and the Corporate Governance Committee; these last two committees must prepare reports (at least annually) for the Board of Directors' review and approval.

21.2. Executive Committee of the Board of Directors

By resolution of the Board of Directors, the Company's day-to-day management has been delegated to the Board of Directors' Executive Committee. This includes all the necessary or appropriate management powers for the conduct of banking activity in terms of and to the extent that is permitted by law and, namely, powers to decide and represent the Company as regards the following matters:

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS' EXECUTIVE COMMITTEE

- Operations for the granting of credit or financing.
- Remunerated provision of personal guarantees.
- Provision of real guarantees involving securities and which are necessary or appropriate for pursing the activities contained in the Company's business objects.
- Realisation of foreign currency operations.
- Realisation of deposit-taking operations.
- Issuance of cash bonds and financial instruments of a similar nature.
- Subscription, acquisition, disposal or encumbering of participating interests in any companies, with the exception of shareholdings in Banks and Insurance Companies.
- Acquisition, disposal or encumbering of any other securities.
- Acquisition, disposal or encumbering of movable and immovable assets.
- Acquisition of services.
- Admissions, definition of levels, categories, remuneration conditions and other Employee perks, as well as the appointment to managerial positions.
- Exercise of disciplinary power and the application of any sanctions.
- Opening or closure of branches or agencies.
- Appointment of who should represent the Bank at its subsidiary and associated companies' general meetings, setting the voting intention to be cast thereat.
- Appointment of the persons who should exercise the corporate functions for which the Bank was elected, as well as the persons whom the Bank should indicate to apply as candidates for any corporate office, except the members of the Board of Directors of the Banks controlled by the Company.
- Issue of binding instructions to the companies totally controlled by the Company.
- Representation of the Bank in and out of court, as plaintiff and defendant, including the institution and contestation of any judicial or arbitration procedures, as well as admission, withdrawal or compromise in any lawsuits and the assumption of arbitral commitments.
- Appointing authorised signatories, with or without powers of attorney, for the performance of specified acts or category of acts, defining the extent of the respective mandates.

As regards operations involving the granting of credit or financing and the provision of remunerated personal guarantees, such operations cannot result in the involvement in a relationship with any single entity (or if it forms part of a group, then with respect to that group) of more than 15% of Banco BPI's consolidated shareholders' equity.

Above that amount, the involvement must be decided at a plenary meeting of the Board of Directors.

21.3. Consultative and support bodies for the Board of Directors

Within the ambit of the Board of Directors, there are four consultative committees providing specialist support and envisaged in the statutes: the Audit and Internal Control Committee (CACI), the Financial Risks Committee (CRF), the Corporate Governance Committee and the Nominations, Evaluation and Remuneration Committee (CNAR).

The following is a brief description of those committees' terms of reference:

PRINCIPAL TERMS OF REFERENCE OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

PRINCIPAL TERMS OF REFERENCE OF THE FINANCIAL RISKS COMMITTEE

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

PRINCIPAL TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE COMMITTEE

The function of the Corporate Governance Committee is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

PRINCIPAL TERMS OF REFERENCE OF NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

The Nominations, Evaluation and Remuneration Committee, has as its principal functions issuing opinions on the filling of vacancies arising on the governing bodies on the choice of Directors to be appointed to the Executive Committee and the evaluation and fixing of this Executive Committee's remuneration.

21.4. Company Secretary

The Company Secretary is appointed by the Board of Directors. The duration of his / her functions coincides with the term of office of the members of the Board of Directors which appointed him / her. In the case of the secretary's absence or impediment, his / her functions will be performed by the alternate secretary.

PRINCIPAL TERMS OF REFERENCE OF THE COMPANY SECRETARY

In addition to the other functions attributed by the Bank, the Company Secretary performs the functions contemplated in the law:

- To serve as secretary at the meetings of the governing bodies.
- To record the minutes and sign them together with the members of the respective governing bodies and the Chairman of the General Meeting Committee, when this is the case.
- To keep, store and maintain in proper order the minute books and loose minute sheets, the list of presences, the share register, as well as attending to the routine matters relating to these.
- To expedite the legal notices convening the meetings of all the governing bodies.
- To authenticate the signatures of the members of the governing bodies placed on the company's documents.
- To certify that all the copies or transcriptions extracted from the company's books or of filed documents are genuine, complete and up-to-date.
- To satisfy within the scope of the terms of reference, the requests formulated by shareholders in the exercise of their right to information and to furnish the information solicited from the members of the governing bodies which exercise oversight functions covering the deliberations of the Board of Directors or of the Executive Committee.
- To certify the content, total or partial, of the company's statutes in force, as well as the identity of the members of the company's various bodies and which are the powers vested in them.
- To certify the up-dated copies of the statutes, deliberations of the shareholders and of management, and of the entries in force appearing in the company's books, as well as ensuring that they are handed over to or sent to the owners of the shares who have requested them and have paid the respective cost.
- To authenticate with his / her initials all the documentation submitted to the General Meeting and that referred to in the respective minutes.
- To promote the registration of the company's acts subject to this requirement.

22. Regulations governing the Board of Directors

The Regulations governing the functioning of the Board of Directors are available at the Investor Relations web site (www.ir.bpi.pt), under the section "BPI Group's Governance".

23. Number of meetings held and degree of attendance

The Board of Directors met 8 times in 2014. The attendance rate of each member was:

Member	Presence	Representation
Artur Santos Silva	8	-
Fernando Ulrich	8	-
Alfredo Rezende de Almeida	8	-
António Domingues	8	-
António Farinha Morais[1]	2	-
António Lobo Xavier	7	1
Armando Leite Pinho	8	-
Carlos Moreira da Silva	8	-
Edgar Alves Ferreira	8	-
Herbert Walter	6	-
Ignacio Alvarez-Rendueles	8	-
Isidro Fainé Casas	2	6
João Pedro Oliveira e Costa[2]	3	-
José Pena do Amaral	8	-
Juan María Nin[3]	0	2
Klaus Dührkop[1]	2	-
Manuel Ferreira da Silva	8	-
Marcelino Armenter Vidal	7	1
Maria Celeste Hagatong	8	-
Mário Leite da Silva	7	1
Pedro Barreto	8	0
Tomaz Jervell	4	2

During the 2014 financial year Banco BPI's Board of Directors reviewed and approved, amongst others, the following matters:

Principal resolutions / matters dealt with the Board of Directors' meetings

Date	Resolution / Matters
	Approval of the plans and budgets
12 Dec.	Review of the estimated results for 2014.
12 Dec.	Review and approval of the Budget for 2015.
30 Jan., 23 Apr., 23 Jul.	Funding and Capital Plan.
23 Jul.	Asset Quality Review (AQR) and ECB Stress Test.
	Annual report and accounts and proposed appropriation of net profit
30 Jan. and 14 Mar.	Review and approval of the 2013 consolidated accounts, as well as deliberation on their public release.
14 Mar.	Approval of the draft Annual Report and Accounts to be tabled at the AGM of 23 April 2014.
23 Apr.	Review of the consolidated accounts at 31 March 2014 as well as deliberation on their public release.
23 Jul.	Review of the consolidated accounts at 30 June 2014 as well as deliberation on their public release.
24 Oct.	Review of the consolidated accounts at 30 September 2014 as well as deliberation on their public release.
	Initiatives to be presented to the Shareholders General Meeting
14 Mar.	Approval of the draft Notice of Meeting and the proposals to be tabled at the AGM of 23 April 2014.
22 Sep.	Approval of the request for convening a Shareholder General Meeting for 17 Oct. and approval of the proposal to be presented.

1) Ceased functions on 23 April 2014.
2) Appointed in 23 April 2014. Commenced functions on 5 September 2014.
3) Resigned with effects 31 August 2014.

Principal resolutions / matters dealt with the Board of Directors' meetings (cont.)

Date	Resolution / Matters
	Monitoring of the trend in the BPI Group's pension obligations and pension funds' assets
30 Jan., 14 Mar., 23 Apr., 23 Jul., 24 Oct.	Review of retirement and survivors' pension obligations and the respective pension fund cover, as well as the returns achieved by the fund.
	Monitoring the Bank's exposure to large-scale risks and loan operations
30 Jan., 14 Mar., 23 Apr., 23 Jul., 24 Oct., 12 Dec.	Review of other operations subject to the regime contemplated in article 85 or 109 of the Banking Act.
	Bond issue
30 Jan.	Approval of the renewal / revision of the Euro Term Note Programme (EMTN Programme).
	Internal functioning
30 Jan., 14 Mar., 23 Apr., 23 Jul., 24 Oct., 12 Dec.	Information about the Audit and Internal Control Committee's activity.
30 Jan., 14 Mar., 23 Apr., 23 Jul., 24 Oct., 12 Dec.	Information about the Financial Risks Committee.
14 Mar.	Information about the Corporate Governance Committee's.
24 Oct.	Setting the timetable for the General Meeting and the Board of Directors meetings in 2015.
23 Apr.	Designations for the Executive Committee, Audit and Internal Control Committee, Financial Risks Committee, Nominations, Evaluation and Remuneration Committee, Corporate Governance Committee and Company Secretary – member in office and alternate.
24 Oct.	Cooptation of the new member for the Board of Directors.
	Other matters of general interest to the Company
30 Jan.	Subordinated debt for capital swap operation.
23 Jul., 30 Oct.	Restructuring Plan accorded with the DGCom.
23 Apr., 23 Jul.	Redemption of the contingent convertible subordinated bonds (CoCos).
23 Jul.	Banco Português de Investimento demerger operation.
23 Jul., 3 Sep.	Scheme and adhesion to Deferred Tax Assets.
23 Jul.	EU Bank Recovery and Resolution Directive.
23 Jul.	Execution of the venture capital investments resulting from the recapitalization agreement with the State (CoCos).
12 Dec.	BFA – Prudential supervisory and regulatory equivalence.
12 Dec.	Novo Banco.
30 Jan., 14 Mar., 23 Apr., 23 Jul., 24 Oct.	Analysis of the stock market behaviour of Banco BPI shares.

24. Bodies charged with the responsibility for carrying out the evaluation of the executive directors' performance

Responsibility for undertaking the evaluation of the executive directors' performance with a view to determining the respective variable annual remuneration is entrusted to the Remuneration Committee (RC).

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of Bank of Portugal Notice 10 / 2011.

25. Predefined criteria for assessing executive directors' performance

The Nominations, Evaluation and Remuneration Committee in preparing its report to the Remuneration Committee, and the Remuneration Committee itself define the variable remuneration of executives according to their performance evaluation and carry out that evaluation based on the following criteria which (i) are consistently used over the years and are hence predetermined and (ii) are quantitative.

According to the remuneration policy for members of Banco BPI's Management and Oversight Bodies and which was approved at the General Meeting of 27 April 2011, besides the non-quantitative parameters (such as those linked to reputation / level of complaints, etc.), the Remuneration Committee also takes special account the following quantitative parameters:

- solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);
- profitability (ROE, net interest income, impairments and Raroc – Risk adjusted return on capital);
- efficiency (cost-to-income ratio);
- market position (market shares);
- liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

The evaluation of performance assesses the contribution of each one of the executives in the light of those criteria.

26. Positions held by members of the Board of Directors

As regards this point, we refer you to the information appearing in the annex on page 352.

27. Details of the committees created within the Board of Directors and the place where the rules on the functioning thereof is available

As previously explained (points 15 and 21.), four specialist committees function within the ambit of the Board of Directors, composed exclusively of non-executive members:

- the Audit and Internal Control Committee (Comissão de Auditoria e Controlo Interno – CACI;
- the Financial Risks Committee (Comissão de Riscos Financeiros – CRF);
- the Corporate Governance Committee (Comissão de Governo da Sociedade – CGS);
- the Nominations, Evaluation and Remuneration Committee (Comissão de Nomeações, Avaliação e Remunerações – CNAR).

The full spectrum of the abovementioned specialist committees' terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations web site, under the section "BPI Group's Corporate Governance".

The CNAR's terms of reference also result from which is defined in Bank of Portugal Notice 10 / 2011 and in General Regime.

28. Composition of the Executive Committee

The Executive Committee of Banco BPI's Board of Directors (Executive Committee – Portuguese acronym CECA) is currently composed of seven professional executive Directors who are independent of any shareholders or specific interest groups.

It is the BPI Group's policy that the persons making up the Executive Committee only exercise other corporate functions by appointment by the Bank when it has important participating interests in those companies.

Executive Committee	Principal areas of responsibility
Chairman	
Fernando Ulrich	Accounting, Planning and Statistics; Risk Analysis and Control; Individuals' Credit Risk; Corporate and Small Business Credit Risk; Corporate Loans Recovery; Lean Programme; Asset Management.
Deputy-Chairman	
António Domingues	Finance; Audit and Inspection; Security; Institutional Banking / State Business Sector; Financial Services – Mozambique; Legal Affairs; Compliance; Investor Relations; Business Development Unit – Africa, Banco de Fomento Angola.
Members	
José Pena do Amaral	Marketing; Communication and Brand Management; Public Relations; Human Resources; Small Businesses and commercial Partnerships; Insurance.
Maria Celeste Hagatong	Corporate Banking; Project Finance; Construction Financing; Specialised Credit to Companies; Office for Africa; Banco BPI Branch in Spain.
Manuel Ferreira da Silva	Equities; Corporate Finance; Economic and Financial Studies; BPI Investimentos Branch in Spain; Private Equity.
Pedro Barreto	Organisation and Quality; Information Systems; Procurement, Outsourcing and Fixed Assets; Operations; BCI Fomento (Mozambique).
João Oliveira e Costa	Individuals and Small Business Banking; Non-residents; Private Banking; International Private Banking; Investment Centres.

Terms of reference

The Executive Committee has wide management powers, delegated by the Board of Directors, to carry on the Group's day-to-day activity, while its exercise is the object of permanent monitoring by the Board of Directors.

These powers to decide and represent the company in the matters referred to in point 21.2 are set out in this Committee's functioning regulations.

The full spectrum of this body's terms of reference is set out in the statutes and respective regulations. Both regulatory documents are available on the Investor Relations web site, in the section "BPI Group's Corporate Governance".

Executive Committee Meetings

The Executive Committee meets at least once a month for the purpose of dealing with matters of general interest relating to Banco BPI and its subsidiaries. It normally meets on a weekly basis. In 2014, the Executive Committee met 59 times.

Functioning rules

The Executive Committee can only adopt resolutions when the majority of its members are present, while representation is not permitted.

The resolutions of the Board of Directors' Executive Committee are adopted by an absolute majority of the votes, with the Chairman having the casting vote.

According to the statutes, a person cannot be appointed to the Executive Committee who, at 31 December of the year prior to such appointment, had attained 62 or more years of age.

Policy of rotation of areas of responsibility in the Executive Committee

All the members of the Executive Committee play an active role in the day-to-day management of the Group's business, having under their stewardship one or more specific business areas, in accordance with the respective profile and with individual expertise, and corresponding to the distribution of responsibilities which at any moment best contributes to that body's effective and balanced functioning. The Executive Committee meets weekly to review the Bank's operations and risks. Without limitation to the greater or lesser concentration of one or other person in a specific area, the Executive Committee's decision-making process on matters pertaining to the conduct of the current management of the Group is based on a collegial format and is the object of systematic monitoring by the Board of Directors. In addition, given the importance of market risks in financial activity:

- Banco BPI has a specialised committee functioning, the Executive Committee for Global Risks, the body charged with analysing global risks (market, liquidity, credit, country, operational and other risks). Besides the members of Banco BPI's Executive Committee, this body includes the heads of the divisions more closely related with such matters. Since the beginning of the international financial crisis the Executive Committee has assumed as a management priority the monitoring by it of the aforementioned risks;
- The Financial Risks Committee, composed of non-executive members of the Board of Directors, monitors the management policy relating to all the financial risks inherent in the Bank's operations, including credit risks, as well as the management of its pension fund;
- On the other hand, the Audit and Internal Control Committee, the Board of Directors' consultative body which meets monthly, monitors closely the operational risks and the exercise of the compliance function.

BPI does not see advantage, in the present circumstances and bearing in mind the conditions and manner of the Executive Committee's functioning, in the periodic rotation of areas of responsibility of any executive director.

Information to the Board of Directors and to the Supervisory Board

The Chairman of the Executive Committee sends to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board, for his knowledge, the notices of that Committee's meetings prior to their realisation. The minutes of the respective meetings are also made available.

The members of the Executive Committee furnish in a timely and proper manner the information solicited from them by other members of governing bodies.

Specialised Executive Committees

Bearing in mind the importance of credit risks and market risks in banking activity, as well as the importance attributed to information technologies as a competitive factor, there are three specialised committees: the already-mentioned Executive Committee for Credit Risks, the Executive Committee for Global Risks and the Executive Committee for Information Technologies which include, each one of them, and in addition to the members of the Executive Committee, the Group's senior executives in charge of the respective areas.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR CREDIT RISKS

The Executive Committee for Credit Risks is the body which monitors and decides on the concession and recovery of loans, analysing mandatorily all the exposures to any one entity involving more than a defined limit.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR GLOBAL RISKS

The Executive Committee for Global Risks is the body charged with managing global exposure to risks related with the BPI Group's activity, specifically, liquidity risks, market risks (trading, bank portfolio interest rate, refinancing, bank portfolio exchange rate), credit / counterparty risks (global perspective only); country risk; operational risks (global perspective only); other risks materially relevant.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE FOR INFORMATION TECHNOLOGIES

The Executive Committee for Information Technologies is the body which defines and monitors the Bank's priorities in the information systems domain, as well as the control over related projects and undertakes the annual evaluation and approval of the strategic plan within the scope of the information systems.

Composition

Besides the members of Banco BPI's Executive Committee, these bodies include the heads of the relevant divisions.

	Executive Committee for Credit Risks	Executive Committee for Global Risks	Executive Committee for Information Technologies
Fernando Ulrich	Alexandre Lucena e Vale (Legal)	António Farinha Morais (General Risk Manager)	António Farinha Morais (General Risk Manager)
António Domingues	António Farinha Morais (General Risk Manager)	Francisco Xavier Avillez (Financial)	Francisco Manuel Barbeira (Information Systems)
José Pena do Amaral	Filipe Macedo Cartaxo (Institucional Banking / SBS)	Paula Gonçalves Carvalho (Economic and Financial Studies)	Jorge Artur Guimarães (Management of CETI projects)
Maria Celeste Hagatong	Frederico Silva Pinto (Credit Risks)	Paulo Freire Oliveira (Equities)	Manuel Maria Meneses (Organisation and Quality)
Manuel Ferreira da Silva	João Azevedo Gomes (Companies North – Reg. Coord.Porto)	Rui Martins dos Santos (Risk Analysis and Control)	Maria Teresa Rocha (Operations)
Pedro Barreto	Joaquim Pinheiro (Loan recovery)	Susana Trigo Cabral (Accounting, Planning and Statistics)	Teresa Sales Almeida (Marketing)
João Oliveira e Costa	Luís Camara Pestana (Companies South and Islands)		
	Maria do Carmo Oliveira (Large companies North)		
	Joaquim Miguel Ribeiro (Companies North – Reg.Coord. North)		
	Pedro Monteiro Coelho (Large Companies South)		
	Pedro Silva Fernandes (Companies Center)		
	Tiago Simões de Almeida (Project Finance)		

29. Terms of reference and summary of activities undertaken of the consultative committees of the Board of Directors

29.1. Audit and Internal Control Committee in 2014

Terms of reference and activity

The Audit and Internal Control Committee is responsible, without prejudice to the functions of the Supervisory Board, for monitoring the Executive Committee's activity, following closely the preparation and disclosure of financial information and evaluating the effectiveness of the internal control, management of non-financial risks and internal audit systems.

REPORT OF THE AUDIT AND INTERNAL CONTROL COMMITTEE'S ACTIVITY IN 2014

The Audit and Internal Control Committee (Portuguese acronym CACI) held ten meetings during 2014, having analysed the matters related with its terms of reference according to the activity plan approved at the meeting held in December of the previous year.

In terms of its regulations, the Chairman and Vice-Chairman of the Executive Committee, the members of the Supervisory Board and the representatives of the Portuguese statutory auditors participated regularly at the CACI's meetings, but without the right to vote. In some of the meetings, the Chairman of the Board of Directors was also present.

Besides the above, the Directors and managers responsible for the areas whose matters were under review were also summoned to attend the meetings.

The reviews carried out and the decisions taken were mainly founded on the work performed by the External Auditors, by the Audit and Inspection Division (Portuguese acronym DAI) and by the other Bank Divisions within the scope of their respective functions. Where applicable, these were also backed up by inspections and communications with the supervisory authorities.

The following is a summary of the CACI's activities in 2014, as part of its terms of reference.

1. Overseeing observance of the law and regulations, the supervision authorities' standards, the company's statutes and the internal policies, standards and practices

The Committee supervised compliance with legal, regulatory and internal provisions in the various areas encompassed by the audit and review work covering the internal and external auditors' procedures. To this end, not only were the findings of these procedural reviews and work (which were submitted regularly during the year) analysed, but it also monitored the implementation of the ensuing recommendations.

In the same order of concerns, the Committee examined, namely, the following works:

- analysis, performed by the External Auditors, of the processes instituted at the Group companies for ensuring the safeguarding of customers' assets;
- report prepared by the DAI on compliance by the BPI Group with the rules governing the various prudential reports submitted to the Bank of Portugal, to the Securities Market Commission (CMVM), to the Insurance Institute of Portugal, as well as the accuracy of the respective content;
- documents destined for the Bank of Portugal, pursuant to Notices nos. 12 / 2012 and 18 / 2012, containing respectively the "recovery plan" and the information required for the preparation of the BPI Group's "resolution plan", in compliance with the requirements of article 116-D of the General Regime for Credit Institutions and Financial Companies for the credit institutions authorised to receive deposits.

As regards keeping abreast of the respective inspections by the supervisory authorities, the Committee analysed at the January meeting the report compiled by PricewaterhouseCoopers (PwC), in accordance with the terms of reference laid down by the Bank of Portugal, containing the results, in that part relating to Banco BPI, of the evaluation of the level of impairments allocated to the credit exposures of the principal banks with operations in Portugal to a selected group of economic groups.

On the other hand, as regards keeping abreast of the inspections carried out by the supervisory authorities, the Committee was informed throughout the year of the reports covering the inspections conducted by the Bank of Portugal according to the Risk Evaluation Model (REM) of the "Large and Medium-sized Companies", "Small Businesses" and "Project Finance" areas, as well as of the Bank's responses to those reports and the pace of the implementation of the recommendations presented by means of the half-yearly progress reports.

Based on the identical documentation, it also followed the progress relating to compliance with the recommendations stemming from:

- the "Special Inspections Programme" – SIP of the Bank of Portugal, as regards the credit-risk procedures and controls and impairment methodology ("Workstream 1"), the calculation of the own funds requirements for credit risk ("Workstream 2");
- process of inspection to the exposure to the construction and property development sectors (OIP 2012);
- the Special Assessment Programme – SAP promoted by the Bank of Portugal and executed by Oliver Wyman, with the object of evaluating the policies and management processes for risks associated with distressed loans.

The March meeting also reviewed the DAI's report, drawn up in compliance with the Bank of Portugal's instructions, certifying with reference to the end of 2012 and 2013, the implementation of that Bank's recommendations relating to the aforesaid "Workstream 2".

2. Supervision of the adequacy and compliance with the accounting policies and practices, review of the statutory audit and of the process involving the preparation and dissemination of financial information

Verification of compliance with accounting policies, criteria and practices and checking the integrity of financial information were also undertaken primarily through appraisal of the findings of the audits and reviews of procedures conducted during the year by the external and internal audit teams.

In addition, the Committee analysed in detail the BPI Group's consolidated results to December 2013, as well as those relating to the first, second and third quarters of 2014. Already in January 2015, it examined the results for the year ended December 2014.

The March meeting analysed the Board of Directors draft 2013 Report and Accounts, as well as the Supervisory Board's report and opinion on the annual report and accounts and the Portuguese Statutory Auditor's draft statutory audit certification and audit report. At the September meeting, it considered the report and accounts for the first six months of 2014, as well as the external auditors' audit reports on the interim individual and consolidated financial information.

It also examined the principal findings of the review realised with respect to Banco BPI's and Banco Português de Investimento's financial statements by Deloitte for the periods ended 31 March and 30 September 2014. It also reviewed the financial statements of Banco de Fomento Angola (BFA) for the six months to June 2014.

At the April and October meetings, it reviewed the reports submitted by the external auditors covering the process of quantification of the impairment losses of Banco BPI's loan portfolio with reference to 31 December 2014 and 30 June 2014, pursuant to the Bank of Portugal's Instruction no. 5 / 2013.

Still as regards the monitoring of the preparation and dissemination of financial information, the Committee analysed at the June and December meetings the "Banco BPI's Quarterly consolidated information", prepared in compliance with CMVM Regulation no. 5 / 2008.

On the other hand, the report prepared by the Legal Division on the IRC tax computation and Deferred Tax Assets relating to 2013 was the object of special review, as was the report on the review carried out by the external auditors of the respective Form 22.

3. Evaluating and enhancing the effectiveness of the internal control system

The evaluation and enhancement of the efficacy of the internal control systems within the BPI Group was a permanent concern of the Committee.

With this mission, the Committee regularly evaluated the operational procedures in place at the Group companies, including the branches and subsidiaries.

The analysis carried out was essentially based not only on the findings of the procedural reviews conducted by the external auditors and by the Internal Audit unit, but also on the presentations and clarifications which are the responsibility of the relevant Boards and Divisions.

The information furnished periodically by the DAI unit on compliance and the forecast of the periods for implementation of the recommendations formulated by the audits, with an indication of the degree of associated risk, also constituted an important indicator.

The Committee also periodically reviewed the schedules indicating the areas and themes subjected to the audits conducted by the DAI in the last three years with the aim of becoming aware of the scope of these initiatives and their contribution to streamlining the internal control systems.

In more specific domains, the Committee reviewed at the May meeting the most significant aspects and the main rules for managing Banco Fomento's operational, compliance, credit, market, liquidity, currency and information systems risks, with the respective Executive Committee having given the necessary clarifications on these issues.

On the other hand, it studied at the April meeting the draft report covering 2013 dealing with the "Internal Capital Adequacy Assessment Process "(ICAAP)", to be sent to the Bank of Portugal in terms of Instruction no. 15 / 2007.

The same meeting also examined the report on loan concentration risk with reference to December 2012, compiled in compliance with the Bank of Portugal's Instruction no. 5 / 2011.

It also studied at the June meeting the document entitled "Disciplina de Mercado" (Market Discipline), published on the Bank's web site in compliance with the provisions of Decree-Law no. 104 / 2007 and Notice no. 10 / 2007 and containing information about the BPI Group's risk-management policies.

Insofar as compliance with reporting duties to the supervisory authorities are concerned about the adequacy and effectiveness of the internal control systems instituted, pursuant to the regulatory requirements of the Bank of Portugal, CMVM and the Instituto de Seguros de Portugal, the commission analysed:

- the annual reports covering risk-management, compliance and internal audit functions;
- the annual internal control reports of the BPI Group and its companies and offshore branches subject to supervision on a consolidated basis sent to the Bank of Portugal and the CMVM, in terms of existing regulations;
- the annual reports on the prevention of money laundering and the financing of terrorism at Banco BPI, Banco Português de Investimento and BPI Gestão de Activos, sent to the Bank of Portugal in compliance with Notice 9 / 2012;
- the opinions of the respective oversight bodies and statutory auditors, which accompany the annual reports;
- the annual reports on the function of the internal audit and the risk management and internal control systems at BPI Vida e Pensões, sent to the Instituto de Seguros de Portugal, in terms of Regulation no. 14 / 2005-R of that Institute, and the respective statutory auditors' opinion.

4. Evaluating and promoting the effectiveness of the management system of non-financial risks

a) Operational risks

One of the principal means used in assessing and promoting efficacy in the control of operational risk also involved the appraisal of the findings and recommendations resulting from the audits and review procedures conducted by the Auditors, in conjunction with the heads of the Divisions and Group companies which were the object of these reviews.

This method permitted identifying the most important shortcomings and formulating the recommendations to the Group bodies and companies audited, as well as the transmission of suggestions to the Executive Committee regarding the issues at stake.

Accordingly, besides the abovementioned audits and review procedures, the Committee also reviewed during 2014 other initiatives with the same purpose which covered the following areas:

(i) Reviews of the External Auditors' procedures:

- General IT Controls – CSP application (Management of loans without plan)
- Loans without plan – Guaranteed current accounts and sight deposit overdrafts
- Finance Division – Management Information Area
- Process relating to properties received as security
- Financial Instrument Operations Division – Valorization Area
- Loan Operations Division / Individuals, Companies and Small Businesses – Equipment leasing contracting
- Project Finance Division
- Banco Português de Investimento – Corporate Finance Division
- Equipment Leasing contracting
- BFA – Cards and Electronic Banking Division
- BFA – Customer accounts movements – branch activity
- BFA – General IT Controls – Banka and Financa applications.

(ii) Audits of Banco BPI's Audit and Inspection Division

- French Branch – Prevention of money laundering, account opening and processing of commissions and fees
- Compliance Division
- Banco Português de Investimento – Corporate Finance Division
- Banco BPI Cayman
- Cayman Branch
- Macau Branch
- Credit Risks Division – Concession / Companies Area
- Operations Division – Seizures.

In addition a detailed analysis was performed at the April meeting of the annual reports on operational risk management, business continuity and information security, the coordination of which is undertaken by the Operational Risks Management Area of the Organisation and Quality Division. The Committee thus acquainted itself with the activities carried out in 2013 in those three areas, as well as the respective goals and initiatives under way with a view to the management of this risk at the BPI Group.

In addition, the Committee was informed at the January and July meetings about all the investigations carried out by the DAI of occurrences which generate losses, respectively in the second half of 2013 and first six months of 2014, having analysed the operational causes of these occurrences and the measures decided on for their eradication.

It also performed an identical analysis at the May meeting of incidents which occurred at BFA in 2013, by way of a report prepared by that bank's Audit and Inspection Division (Portuguese acronym DAI).

Furthermore, it examined at the January and July meetings statistical data presented by the DAI relating to incidents of that nature which took place at Banco BPI, respectively in the four-year periods 2010 / 2013 and 2012 / 2014, with details of the risks imputed to the Bank and its Employees, as well as those assumed by the Bank.

Meanwhile at the March and September meetings, the summaries prepared by the Quality Area of the Organisation and Quality Division were reviewed regarding customer complaints received at Banco BPI in the previous half year, as well as the improvements introduced into the internal procedures arising from the complaint situations, with a view to refining the control of operational risk. At the November meeting, a similar review was done as regards the summary presented by the BFA's DAI covering the process for handling complaints at that Bank.

Special attention was also paid at the September meeting to the report submitted by the Procurement, Outsourcing and Fixed Assets Division regarding outsourced activities, with details of the methods and procedures utilised for ensuring adequate control of this type of activity on the subject of security, quality and price levels.

Information was received at the October meeting about the process under way relating to the reorganisation of the Factoring Operational Management Area including the measures taken for the operational risks associated with this activity, which experienced strong development in the past year.

b) Compliance risk

The Committee examined at the May meeting the report on the work performed by the Compliance Division during 2013, in its mission of preventing and mitigating compliance risk in the areas of normative and contractual regulation and more specifically, in the prevention of money laundering, terrorism financing and market abuse. It was informed about the refinement and strengthening of measures introduced in the respective means for operating.

The Committee also approved at the same meeting that Division's activity plan for 2014, in which special importance was attributed to continuing the implementation of the compliance risk-management model, the concretization of the policy for accepting customers, the revision of the money laundering and the financing of terrorism preventing processes and the increase of training courses about this subject for the Employees of the Bank.

In compliance with the provisions of the Code of Ethics and Conduct, the Committee was given in a quarterly basis the Compliance Division's reports containing information about the results of the monitoring of the Code's observance.

c) Reputational risk

The Committee reviewed at the March and September meetings the various service-quality evaluation factors, as well as the external and internal instruments used at Banco BPI for its measurement, amongst which the service quality indices "IQS – Índices da qualidade de serviços". It also acquainted itself through the Quality Area with the strategic priorities resulting from the analysis of those indicators and the initiatives taken in order to foster quality in customer attendance and support.

Complementarily, there was the opportunity to review the already-mentioned quarterly summaries covering complaints, the reputational risk associated with the procedures followed in the provision of services and communication with customers.

The Committee reviewed at the October meeting the report on the work carried out during 2013 by the Investor Relations Division in the discharge of its financial information disclosure functions covering the control and management of reputational risk within the scope of its activity, and the response to requests from investors, analysts and other market agents.

Moreover, at the September meeting, it studied the Legal Division's information describing the procedures relating to the relationship with the Tax and Customs Authority within the context of compliance with tax-related obligations.

In addition, it reviewed the conclusions of the various reports issued during the year by the rating firms (Standard & Poor's, Moody's and Fitch Ratings) covering Banco BPI and Banco Português de Investimento, other Portuguese banks and the Portuguese Republic.

5. Evaluating and promoting the effectiveness of internal audit activity

The monitoring of the Audit and Inspection Division's (DAI) work and the evaluation of its efficacy were undertaken during the year through:

- approval of the quarterly audit plans;
- the review of the activity undertaken by the Division in each half year;
- the quarterly analysis of the audits performed in the last three years and the underlying criteria;
- the analysis of the principal findings of the audits;
- the analysis of compliance with the recommendations issued by the DAI, by the external auditors and by the Bank of Portugal, based on information supplied by that Division with indication of the respective degrees of risk.

In elaborating the audit plans, the Committee followed the principle of guaranteeing as regards the central services and the Group companies, adequate distribution of the audit work over the major risk areas or with a greater administrative burden, and as regards the commercial network, the bodies also indicating the greatest risk or the occurrence of possible irregularities.

The monitoring and control of the activity of BFA's DAIS realised within the scope of the Committee's functions with respect to the Group companies subject to supervision on a consolidated basis, were meanwhile realised through the review of its 2013 activity report and the approval of the respective audit plan for 2014.
At the November meeting, the Committee was informed about the audit of BFA's branches carried out by the DAI up till the end of August 2014, with details of the principal findings.

6. Monitoring and overseeing the Portuguese statutory auditors' independence and activity

The Committee supervised and evaluated throughout the year the activity and independence of the Portuguese statutory auditors, namely as regards the provision of additional services.

In this regard, the Committee issued an opinion on the external auditors' procedural review plan for 2014 at Banco BPI and Banco Português de Investimento, with a view to its approval by the Supervisory Board. In addition and as already referred to, it studied the findings of those reviews and followed through the adoption of the resulting recommendations.

It also reported for the same purpose on the proposed fees relating to the external auditors' annual work plan at those two banks and at other Group companies.

It also examined and submitted, with its opinion, to the Supervisory Board for approval Deloitte's proposals for work not directly related with their function as the Group's external auditors.

29.2. Financial Risks Committee

Terms of reference and activity

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee (Portuguese initials CRF) is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

The Financial Risks Committee met eight times in 2014, having dealt with the following matters at those meetings:

Date	Resolutions / Matters
29 January 2014	▪ Banco BPI's liquidity situation. ▪ Swap of subordinated debt for capital. ▪ Financing to the State business sector. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC). ▪ Funding and capital plan. ▪ Exposure to sovereign debt.
13 March 2014	▪ Sale of sovereign debt. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC).
24 March 2014	▪ Banco BPI's liquidity situations. ▪ Tender Offer for securitisation operations. ▪ Proposed limits for country risk. ▪ Proposed limits for Foreign Exchange Trading. ▪ Proposed limits for derivative and arbitrage repo operations. ▪ Financing to the State business sector. ▪ Exposure to sovereign debt. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC).
5 June 2014	▪ Banco BPI's liquidity situation. ▪ Financial Management. ▪ Status of the application for the early redemption of the contingent convertible subordinated bonds (CoCo). ▪ Status of the capital increase situation. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC).
22 July 2014	▪ Banco BPI's liquidity situation. ▪ Banco BPI's exposure to Banco Espírito Santo and to the Espírito Santo Group. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC).
6 August 2014	▪ Banco BPI's participation in the Bank Funding Syndicate of the Resolution Fund within the ambit of their resolution measure applied to Banco Espírito Santo.
3 September 2014	▪ Banco BPI's liquidity situation. ▪ Financial management.
3 December 2014	▪ Banco BPI's liquidity situation. ▪ Proposed Markets Room limits. ▪ Loan Operations to be submitted to the Board of Directors and to the Supervisory Board, pursuant to articles 85 and 109 of General Regime for Credit Institutions (Regime Geral das Instituições de Crédito – RGIC). ▪ Trend of the 20 largest exposures to non-financial institutions. ▪ Trend in the 50 biggest impairments at Corporate and Small Business Banking. ▪ Credit risk exposures of more than 75 M.€. ▪ Groups under observation: – 100 biggest without individual impairment allowance set aside; – 50 biggest with individual impairment allowance set aside; – 50 biggest in judicial recovery / execution; – Projects in the Project Finance portfolio. ▪ Analysis of defaults in excess of 250 000 € at Corporate and Small Business Banking. ▪ Trend in the distribution of the Corporate Banking portfolio by rating classes. ▪ Trend in 100 biggest exposures in the construction and public works sector. ▪ Trend in the 20 biggest exposures to the real-estate sector. ▪ Trend in the Loan portfolio of groups controlled by entities resident in Spain. ▪ Trend in the Loan portfolio of non-residents in Portugal and Spain. ▪ Trend in foreclosed properties and respective impairments of more than 250 th.€.

29.3. Corporate Governance Committee

Terms of reference and activity

The function of the Corporate Governance Committee (Portuguese initials CGS) is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

Activity of the Corporate Governance Committee in 2014

Date	Resolutions / Matters
7 March 2014	▪ Review of the BPI Group's proposed and preliminary Corporate Governance Report in 2013.
	▪ Review of Banco BPI activity in 2013 within the scope of its Social Responsibility, with the Committee having considered very positively the fact that the Bank, notwithstanding the constraints stemming from the particularly challenging economic landscape, having kept its commitments in the corporate social responsibility sphere – patronage, social solidarity, culture, education and research, innovation and entrepreneurship.
	▪ Information regarding the latest legislative / regulatory news relating to Corporate Governance matters.

29.4. Nominations, Evaluation and Remuneration Committee

Terms of reference and activity

The Nominations, Evaluation and Remuneration Committee (CNAR) has as its principal functions issuing opinions on the filling of vacancies arising on the governing bodies and on the choice of Directors to be appointed to the Executive Committee, as well as performing the duties relating to remuneration policy contemplated in article 7 of Bank of Portugal Notice 10 / 2011.

Activity of the Nominations, Evaluation and Remuneration Committee in 2014

Date	Resolutions / Matters
13 March 2014	▪ Approval of the report and opinion to be presented to the General Meeting about the execution and application of the Remuneration Policy in force in 2013.
	▪ Approval of the report and opinion on the proposed Remuneration Policy for the members of the management and oversight bodies for the three-year period 2014-2016, to be submitted by the Remuneration Committee to the Shareholders' General Meeting.
	▪ Approval of the report and opinion addressed to the Remuneration Committee regarding: a) the determination of the amount of the variable remuneration to be granted to the members of the Executive Committee, taking into account the positive qualitative assessment attributed by this Committee to the individual performance of each one of the members of the Executive Committee in 2012; b) that the overall amount of this variable remuneration, that is the amount earmarked for the universe of the members of the Executive Committee, corresponds to 1% of the 2012 consolidated net profit; c) that the distribution of the said amount amongst the various members of the Executive Committee is be in proportion to the difference of the existing base fixed salary between each one of them; d) that, under Banco BPI's Recapitalisation Plan and according to the regime envisaged in article 12 of Ministerial Order 150-A / 2012 of 17 May and sub-paragraph l) of Annex XI to Decree-Law 104 / 2007 of 11 April, during the period in which the Core Tier 1 Capital instruments subscribed by the Portuguese State were not fully redeemed, no payment be made to the members of the Executive Committee of any variable remuneration, which payment must be dependent on a decision of the Remuneration Committee then in office and taken after the full repayment of the aforesaid public investment.
	▪ Review of the legal and regulatory alterations pertaining to remuneration policy.

The full specification of the abovementioned specialist Committees' duties are laid down in the statutes and respective regulations. Both these documents are available for consultation on the Investor Relations web site (www.ir.bpi.pt), under the BPI Group's Governance section.

III. OVERSIGHT

30. Identification of the oversight body

The oversight function is entrusted to the Supervisory Board and to the Portuguese Statutory Auditor.

Terms of reference of the Supervisory Board

The Supervisory Board's core terms of reference are supervising the company's management, overseeing compliance with the Law and the Statutes, verifying that the annual report and accounts present a true and fair view, overseeing the Portuguese statutory auditors' annual audit and independence, as well as evaluating their work. The complete spectrum of this body's functions is set out in the statutes and respective regulations. Both these regulatory documents are available on the Investors' Relations web site, under the section "BPI Group's Corporate Governance".

31. Supervisory Board's composition

At 31 December 2014, the Supervisory Board had the following composition:

At 31 December 2014

	Date of first appointment	End of current term
Chairman		
Abel António Pinto dos Reis	23 Apr. 08	31 Dec. 16
Members		
Jorge de Figueiredo Dias	21 Apr. 99	31 Dec. 16
Rui Campos Guimarães	23 Apr. 14	31 Dec. 16
Alternates		
Rui Pinho Patrício (alternate)	23 Apr. 14	31 Dec. 16
Francisco Olazabal (alternate)	22 Apr. 09	31 Dec. 16

The current term of office (2011 / 2013) ended on 31 December 2013 (2011 / 2013). In terms of the law, the members of the governing bodies continued in office until the election of the new composition which took place at the Shareholders' General Meeting of 23 April 2014. Thus the member José Neves Adelino remained in office until 23 April de 2014, on which date he ceased his functions following the election of the new composition of the Supervisory Board.

On 25 June 2014, Dr. Miguel Artiaga Barbosa relinquished office as the State's representative on Banco BPI's supervisory board, pursuant to Dispatch no. 9133 / 2014, of 16 July of the Minister of State and Finance.

According to article 22 of the Articles of Association, *"The Supervisory Board is composed of at least three and no more than five permanent members, and also two alternate members."*

According to article 29 of the Articles of Association, *"The members of the governing bodies are elected for three-year periods and may always be re-elected, except for the members of the Supervisory Board, who shall only be re-elected for another two consecutive terms of office".*

32. Identification of the independent members of the Supervisory Board

The following table lists the members of the Supervisory Board who meet the independence criteria in terms of article 414(5) of the CCC.

Independence (according to art.414(5) CCC)

	a)	b)
Chairman		
Abel António Pinto dos Reis	Complies	Complies
Members		
Jorge de Figueiredo Dias	Complies	-[1]
Rui Campos Guimarães	Complies	Complies
Alternates		
Rui Pinho Patrício (alternate)	-	
Francisco Olazabal (alternate)	-	

33. Professional qualifications and other important curricular details

Consult the annex to the present report (page 352).

34. Supervisory Board's Regulations

The Supervisory Board's functioning Regulations are available on the Investor Relations web site (www.ir.bpi.pt), under the section "BPI Group's Governance".

35. Number of meetings held and attendance rate

Member	Nr. of meetings in which member was present	Attendance rate (%)
Abel Pinto dos Reis	13	100
Jorge Figueiredo Dias	13	100
Rui Campos Guimarães[2]	5	100
José Neves Adelino[3]	8	100
Miguel Artiaga Barbosa[4]	6	75

During 2014 the Supervisory Board held thirteen meetings, at which all of its members were present, with two exceptions, as described in the Supervisory Board's Activity Report.

In addition to those meetings, the Supervisory Board attended 10 meetings of the Audit and Internal Control Committee.

36. Positions occupied in other companies and other important functions exercised by the members of the Supervisory Board

Consult the annex to the present report (page 352).

1) Is covered by article 414(b) of the CCC by virtue of having been re-elected for more than two terms of office on BPI's governing bodies.
2) Elected on 23 April 2014.
3) Ceased functions on 23 April 2014.
4) Ceased functions on 25 June 2014, according to Dispatch no. 9133 / 2014 of 16 July of the Minister of State and Finance.

37. The Supervisory Board's involvement in the contracting of additional services from the external auditor

The Supervisory Board, through its specific opinions, reviews and decides, after having heard the Audit and Internal Control Committee, on the provision of additional services to the company and its Group companies, as well as the respective conditions, controlling the weight of the fees adjudicated relating to "Tax Consultancy Services" and "Other non-Statutory Audit Services" relative to the total fees contracted.

Of the total services adjudicated to Deloitte in 2014, those referring to Tax Consultancy and Non-Statutory Audit Services or of assurance represented 16%. The figure mentioned here may differ from the amount of the emoluments paid to Deloitte in the year due to a possible timing difference between the period to which the adjudication refers and the period of the actual provision of the service.

38. Other Supervisory Board functions

Besides the functions set out in point 37, the Supervisory Board's terms of reference include, amongst others,

With respect to the external auditor of the company:

- to submit to the Board of Directors the proposal concerning the external auditor to be contracted by the company, including not only the proposal about who should provide those services, but also the proposal for the respective remuneration;
- to represent the company, for any and all purposes, in relation to the external auditor, and act, notably, as the first contact of the company with the auditor and the first recipient of the respective reports;
- to ensure that the company provides the appropriate conditions for the external auditor to render its services;
- to oversee the independence of the external auditor;
- approving, after hearing the Audit and Internal Control Committee, the external auditor's annual work plan;
- evaluating the external auditors' work;
- to propose to the General Meeting the dismissal or resolution of the service contract with the External Auditor whenever there are grounds for just cause.

With respect to the Statutory Auditor:

- to propose its appointment to the General Meeting;
- to oversee the statutory audit of the accounting documents of the company;
- to oversee the independence of the Statutory Auditor and, within that framework, consider and decide, upon consulting with the Audit and Internal Control Committee, about the provision of additional services by the Statutory Auditor to the company and companies of its Group, as well as the conditions thereof.

As regards internal control:

- to verify, at Banco BPI and other companies of the Group subject to supervision on a consolidated basis, that the major targets set by the Bank of Portugal and the CMVM (the Portuguese stock market regulator) for internal control and risk management in the guidelines on supervision addressed to credit institutions and financial companies, are met.

In terms of its Statutes, its operating regulations and as evidenced in its annual activity report, the Supervisory Board evaluates the functioning of the internal control and risk management systems, proposing the alterations that it deems necessary and issuing opinions on the work plans and the resources allocated to the internal audit services and other compliance services.

The complete framework of the Supervisory Board's terms of reference is embodied in the statutes and the respective regulations. Both these documents are available for consultation on the Investor Relations web site (www.ir.bpi.pt), under the BPI Group's Governance section.

IV. PORTUGUESE STATUTORY AUDITOR

The Portuguese statutory auditor is appointed by the General Meeting following a proposal by the Supervisory Board. It can be a natural person or a company with the statutory auditor status. In addition to the member in office, an alternate member shall be appointed.

Terms of reference

The Portuguese statutory auditor is responsible for carrying out all the examinations and all the necessary verifications for the audit and certification of the accounts.

39. Details of the Statutory Auditor and the partner that represents said Auditor

Deloitte & Associados, SROC, S.A. (Deloitte), a member firm of the international network Deloitte Touche Tohmatsu (DTTL network), is the BPI Group's Portuguese Statutory Auditor and was elected in the General of Meeting of 23 April 2014 for the 2014 / 2016 three year period.

António Marques Dias is currently the partner in charge of the audit of Banco BPI's consolidated financial statements.

The Company's alternate Statutory Auditor is Dr. Carlos Luís Oliveira de Melo Loureiro.

40. Indication of the number of years in which the statutory auditor has worked consecutively with the company and/or the group

Deloitte & Associados, SROC, S.A. has exercised functions consecutively at the BPI Group since 2002.

41. Description of other services rendered by the ROC to the company

See point 47.

V. EXTERNAL AUDITOR

42. Identification of the external auditor

The firm Deloitte & Associados, SROC, S.A. (as identified in point 39 above) is similarly and for purposes of article 8 of the Securities Code, the Bank's External Auditor and is registered with the CMVM under number 231.

António Marques Dias is the partner representing the External Auditor.

43. Number of years in which the external auditor and the statutory audit partner representing the firm exercise functions at the BPI Group

The External Auditor, Deloitte & Associados, SROC, S.A., has exercised functions consecutively at the BPI Group since 2002.

António Marques Dias is the partner representing the External Auditor since 2011.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

BPI recognises and subscribes to the concerns manifested, amongst others, by the CMVM (Securities Market Commission), by the European Commission and by IOSCO – International Organization of Securities Commissions, amongst other entities, regarding the safeguarding of auditors' independence *vis-à-vis* the audit Client. BPI believes that this independence is essential for ensuring the public's trust in the reliability of their reports and in the credibility of the financial information published.

BPI is of the opinion that its auditors are independent within the context of the regulatory and professional requirements applicable and that their objectivity is not compromised. BPI has incorporated into its governance practices and policies several mechanisms which safeguard the independence of the auditors.

Indeed, the company which audits the BPI Group's accounts, as well as the persons in charge of the relevant audit work, has to the best of BPI's knowledge, no interest – effective or imminent – financial, commercial, employment, family or of any other nature – other than those which result from the normal course of their professional activity – in BPI Group companies, capable of leading a reasonable and informed third party to consider that such interests could compromise the auditor's independence.

On the other hand, the Portuguese Statutory Auditors Act (EOROC) provides that anyone who has served in the last three years as a member of a company's administrative or management bodies, cannot exercise the function of auditor of the same company. In the same manner, the Portuguese Statutory Auditor who in the last three years has acted as the Portuguese Statutory Auditor of companies or entities, is barred from exercising functions as a member of such companies' or entities' administrative or management bodies.

The EOROC furthermore provides that in the case of public-interest entities the maximum period for carrying out audit functions by the partner responsible for the direct organisation or execution of the audit is seven years, commencing from the date of his / her appointment, but may be appointed again after a minimum period of two years has elapsed.

Pursuant to the provisions of applicable legislation, the Supervisory Board verified the auditors' independence by means of: (a) the auditors' written confirmation of independence as envisaged in article 62-B of the EOROC; (b) the confirmation of compliance with the rotation requirements relating to the partner in charge and (c) the identification of the threats to independence and safeguard measures adopted for their mitigation.

BPI has adopted the principle of not entering into employment contract s with any person that has in the past been partner of the audit firm which has provided audit services to any BPI Group companies before at least three years have elapsed since the cessation of the provision of such services.

In years in which there are elections of Governing Bodies, the Supervisory Board proposes to the General Meeting the nomination of the External Auditor / Portuguese Statutory Auditor, carrying out for this purpose a prior analysis which, with respect to the election held at the 2014 General Meeting, the Supervisory Board referred to in its report in the following manner:

"The Board analysed the need to propose to the General Meeting the nomination of the External Auditor / Portuguese Statutory Auditor for the period 2014 / 2016, taking into account that:

a) In April 2011 the Bank reappointed Deloitte & Associados as the BPI Group's External Auditor / Portuguese Statutory Auditor, although there was already in force (and applicable to BPI) a CMVM recommendation of 2010 concerning the periodic rotation of the External Auditor / Portuguese Statutory Auditor;

b) This decision was based on the fact that the country is confronted with a severe and long-lasting economic and financial crisis, which required that the EA's in office had an in-depth and detailed knowledge of the respective CI's;

c) In a first phase, the inadequate knowledge of the CI's reality on the part of a new External Auditor / Portuguese Statutory Auditor (only rebuttable in a gradual manner over the medium term), naturally gives origin to difficulties in the resolution of shortcomings and weaknesses, potentially causing bigger losses, as well as costs with the hasty development of transitional solutions or mitigating actions;

d) The prevailing environment is today much more serious than that observed at the beginning of 2011;

e) The economic-financial crisis has deteriorated in the economically more developed zones, with a strong incidence in Europe and therefore in Portugal, an economically weak country with a high level of indebtedness (and still climbing);

f) More specifically, what matters to BPI is highlighting the following factors:

i. The marked contraction in economic activity and employment reflects itself very negatively on the banking system, namely from the viewpoint of risks, impairments and losses in the loan portfolios, as well as losses incurred not only on investments in financial assets but also on fixed properties (own and held as security);

ii. The application of the Recapitalisation Contract reinforces even further the need for an in-depth knowledge and always up-to-date of the Bank's reality on the part of the External Auditor / Portuguese Statutory Auditor; only in this manner is it possible to carry out an effective monitoring and mitigation of the actual and potential risks, as well as provide the support which becomes necessary for compliance with the targets which have been committed to;

iii. The fact that, as part of the economic and financial adjustment programme and complementing the audits conducted by the Bank of Portugal, the auditors accredited on the market have already been auditing on a regular basis at Banco BPI, following the guidelines issued by the Bank of Portugal, with the consequent validation of the work carried out by the Bank's External Auditor;

iv. The promotion of improved activity in the Internal Audit, Compliance and Risk Management areas, which have been regularly monitored by the Executive Committee, the Audit and Internal Control Committee and the Supervisory Board.

g) Collaterally, but in consonance with the above commentary, the EBF in its Draft of 2013.02.04, advises against the rotation of the CI's External Auditor / Portuguese Statutory Auditor, citing reasons of logic and common sense identical to those taken into account by the Bank at the time of the last reappointment of its External Auditor / Portuguese Statutory Auditor.

In this context and after considering this matter, in liaison with the Board of Directors, the Supervisory Board was of the opinion that it should propose the renewal of the contract with the current External Auditor / Portuguese Statutory Auditor – Deloitte & Associados, SROC S.A. for the term 2014 / 2016."

45. Indication of the body responsible for evaluating the external auditor and frequency with which this evaluation is carried out

The evaluation of the External Auditor falls within the Supervisory Board's terms of reference, in the terms explained in point 37 above. The evaluation is carried out annually.

The Supervisory Board is responsible, in terms of its regulations, for proposing to the General Meeting the dismissal or resolution of the service contract with the External Auditor whenever there are grounds for just cause.

46. Identification of non-audit work

All the work adjudicated is the object of case-by-case approval by the Supervisory Board, once it has obtained the prior opinion of the Audit and Internal Control Committee. The Supervisory Board takes into account the legal limits fixed for the different types of services.

47. Remuneration

Indication of the amount of the annual emoluments paid by the company and/or by the companies controlled by it or with a group relationship, to the Auditors and other natural or legal persons belonging to the same network, and details of the percentage referring to the following services (For purposes of this information, the concept of network is that which is defined in the European Commission's Recommendation no. C (2002) 1873, of 16 May):

Breakdown of the emoluments paid to Deloitte

Amounts in th.€

	2013		2014	
	th.€	%	th.€	%
By the Company				
Statutory audit services	616	22.3%	645	28.4%
Assurance services	751	27.1%	242	10.7%
Tax consultancy services	179	6.5%	215	9.5%
Other non-audit related services	5	0.2%	67	2.9%
	1 550	**56.0%**	**1 169**	**51.5%**
By entities making up the group[1]				
Statutory audit services	575	20.8%	520	22.9%
Assurance services	343	12.4%	359	15.8%
Tax consultancy services	49	1.8%	102	4.5%
Other non-statutory audit services	249	9.0%	122	5.4%
	1 216	**43.9%**	**1 103**	**48.5%**
Total	**2 767**	**100.0%**	**2 272**	**100.0%**

1) By decreasing order of importance as regards the amount paid: BPI Vida e Pensões, BPI Strategies, BPI Suisse, BPI Luxemburgo, Banco BPI Cayman, Banco BPI – Offshore de Macau, BPI Capital Africa, BPI Private Equity, BPI Alternative Fund Luxemburgo, BPI Capital Finance, BPI – Locação de Equipamentos, BPI Dealer Moçambique and BPI Madeira.

C. INTERNAL ORGANISATION

I. STATUTES

48. The rules governing amendment to the articles of Association

In terms of article 30 of the Articles of Association, any amendment requires approval by a majority of two thirds of the votes cast at a General Meeting specially convened for this purpose, except for any amendment to article twelve, paragraphs four and five, article thirty-one, paragraph one, as well as to number two of article thirty, which requires approval by seventy-five per cent of votes cast.

The matters to which the above provisions refer and which require a majority of 75% of the votes cast in order to be amended are the following:

- article 12(4) and(5) – provisions which regulate the limitation of the number of votes cast by a shareholder and entities related to him / her and capable of being counted;
- article 31(1) – provision that lays down a special qualified majority for the company's dissolution;
- article 30(2) – provision that lays down that an alteration to the imposition of a qualified majority for the abovementioned matters can only be changed by the application of the aforesaid majority.

II. REPORTING OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

The Supervisory Board is responsible in terms of article 420 j) of the CCC, for the receiving the communications of irregularities presented by Employees, Customers, Shareholders and any other entities.

BPI Employees must communicate to the oversight body, the Supervisory Board, any irregular practices which they detect or are aware of or have justified suspicions of so as to prevent or impede irregularities which may cause financial damages to BPI or damage to the Bank's image.

In terms of the service instrument that regulates this matter and which clearly sets out all the procedures and which is available to all Employees, the communication referred to in the preceding number must be made in writing and contain all the details and information that the Employee has available and which he / she deem to be necessary for assessing the irregularity. The Employee may also request confidential treatment as regards the origin of the communication.

The communications of irregularities are received, opened and processed by the Advisor to the Supervisory Board, who shall be responsible for safeguarding the anonymity of all the relevant subscribers.

The Supervisory Board Advisor informs the respective Chairman of the communications of irregularities received who, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

Where the communications of irregularities warrant the intervention of the Bank's departments, namely of the Audit and Inspection Division, they are presented by the Supervisory Board's Chairman to the Chairman of the Board of Directors which will deal with them in the appropriate manner.

Copies of the reports produced by the DAI or by any other body so requested are sent to the Chairmen of the Supervisory Board, of the Board of Directors and of the Audit and Internal Control Committee.

The Supervisory Board's report discloses the number of communications of irregularity received and their status.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for the internal audit and for the implementation of internal control systems

The internal control system in existence at Banco BPI is founded on the objectives and guidelines laid down by the Board of Directors and the CACI. These are monitored closely by the last-mentioned Committee and are based on a structure which encompasses, amongst others, a Risk Control Division, an Audit Division and a Compliance Division.

This system's oversight and evaluation are undertaken by the Supervisory Board which not only functions in full liaison with the CACI but is also directly involved in the supervision of the principal risks and in the definition of the risk-management, compliance and internal audit programmes.

51. Explanation, even if by inclusion in the organisation chart, of the hierarchical and/or functional dependence relationships vis-à-vis the company's other bodies or committees

The BPI Group's overall risk management falls within the Board of Directors' Executive Committee's terms of reference.
As concerns the Executive Committee, the risk divisions' portfolio is entrusted to a Director with no direct responsibility for the commercial divisions.

At senior level there are also two specialist executive committees: the Global Risk Executive Committee (overall market, liquidity, credit, country, operational risks) and the Credit Risks Executive Committee, whose attention is focused on the analysis of large-scale operations.

Without prejudice to the functions legally attributed to the Supervisory Board, the Financial Risks Committee is responsible for monitoring the management policy covering all the financial risks associated with the company's business, namely liquidity, interest rate, currency, market and credit risks, as well as monitoring the management policy relating to the company's pension fund.

52. Other functional areas responsible for risk control

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks and for the management of the risk datamart for the whole Group.

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

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

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

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

The BPI Group's Compliance Division covers all areas, processes and activities of companies of BPI Group in Portugal and has as its mission contributing to the prevention and mitigation of the "Compliance Risks", which translate into the risk of legal or regulatory sanctions, financial or reputational loss as a consequence of the failure to comply with the law, regulations, code of conduct and good banking practices, fostering the observance by the BPI Group and its Employees of all the applicable rules by way of an independent involvement, in conjunction with all the Bank's organic units. The Group entities not covered have their own requirements, adapted to the products and services that they are selling and to the size of each one.

Matrix of responsibilities for risk management and control

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

CA – Conselho de Administração (Board of Directors); **CACI** – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee); **CECA** – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee); **CERC** – Comissão Executiva de Riscos de Crédito (Credit Risks Executive Committee); **CERG** – Comissão Executiva de Riscos Globais (Global Risks Executive Committee); **CRF** – Comissão de Riscos Financeiros (Financial Risks Committee); **CRO** – Comité de Risco Operacional (Operating Risk Committee); **DA** – Departamento de Acções (Equity Department); **DACR** – Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division); **DAI** – Direcção de Auditoria e Inspecção (Audit and Inspection Division); **DBI** – Direcção de Banca Institucional (Institutional banking Division); **DC** – Direcção de Compliance (Compliance Division); **DCPE** – Direcção de Contabilidade, Planeamento e Estatística (Accounting, Planning and Statistics Division); **DF** – Direcção Financeira (Financial Division); **DJ** – Direcção Jurídica (Legal Division); **DO** – Direcção de Operações (Operations Division); **DOQ** – Direcção da Organização e Qualidade (Organisation and Quality Division); **DRC** – Direcção de Riscos de Crédito (Credit Risk Division); **DRCE** – Direcção de Recuperação de Crédito a Empresas (Corporate Credit Recovery Division); **DRCP** – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division).

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

53. Details and description of the major types of risk

Risk management at the BPI Group is based on the permanent identification and analysis of exposure to different risks – credit risk, country risk, market risks, liquidity risk, operating and legal risks or other – and on the adoption of strategies aimed at maximising profitability within predefined (and duly supervised) limits. Management is complemented *a posteriori* by analysis of performance indicators.

In a separate chapter of the Directors' report and which is deemed to form an integral part of this report by reference, the main risks to which the Group is exposed in the conduct of its business are described (page 99).

54. Description of the procedure for identification, assessment, monitoring, control and risk management

The policy, procedures and allocation of powers amongst the Group's various bodies and departments on matters relating to the control and management of the Group's risks are described in detail in a separate chapter of the Directors' Report and are incorporated into this document by way of reference (pages 99 to 123).

55. Internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

The Investor Relations Division (DRI) is the body responsible for the preparation and disclosure of documents containing financial information – quarterly and annual results and annual and interim reports.

The above financial information and disclosure process is defined and the chief risks attaching to this process are identified in a mandatory-compliance internal regulation.

The execution of the controls prescribed for mitigating each risk has to be demonstrated internally and externally by the person in charge of their execution by means of the production of specific evidence for each case.

The process entails permanent dialogue with the heads of the divisions involved and with the Executive Committee. The documents to be disclosed and the respective timing of disclosure – depending on the document concerned – require the express approval of the Executive Committee and/or the Board of Directors. The aforesaid documents, in terms of the procedures envisaged for each situation, are also sent for review by the Board of Directors' consultative committees and/or by the Supervisory Board.

It is BPI's practice to release documents immediately after the stock market close on the actual day on which the Executive Committee or the Board of Directors approves them.

The preparation and disclosure of documents containing financial information is the object of annual assessment by the external auditors.

IV. INVESTOR ASSISTANCE

56. Department responsible for investor assistance

The Investor Relations Division has as its principal functions guaranteeing, to the Authorities and to the market, compliance with legal and regulatory reporting obligations to which Banco BPI is bound, responding to the information needs of investors, financial analysts and other interested parties, and lending support to the Executive Committee in aspects relating to Banco BPI's presence on the market as a listed entity.

Within the scope of the abovementioned responsibilities, of particular importance is the disclosure of information classified as "relevant fact", the furnishing of quarterly information concerning the Group's activity and results, and the preparation of the annual and interim reports and accounts.

BPI has, in its capacity as a listed company, been engaged in intensive communication activity with the market throughout 2014.

BPI participated in 9 conferences for investors dealing with the financial sector, both abroad – London, New York and Madrid – and in Portugal. As part of this activity, the Bank staged more than 200 individual meetings with institutional investors.

As regards the dissemination of results, BPI continued to hold meetings with analysts and investors in 2014 in order to discuss quarterly results. These meetings – which were attended by all the members of the Executive Committee of Banco BPI's Board of Directors – can be attended in person or by way of conference call, as well as being broadcast simultaneously and with free access by webcast, via the Bank's Investor Relations' web site.

Throughout the year, BPI maintained permanent contact with the financial analysts who cover the BPI share and who in 2014 were responsible for the production of more than 100 research reports on the Bank.

The DRI is composed of a team of four full-time Employees with the appropriate qualifications and experience in financial and communication matters.

57. Representative for relations with the market

The Representative for Relations with the Market is Luís Ricardo Araújo, also head of the Investor Relations Division.

58. Requests for information

As part of its functions, the DRI responds to various requests for information from shareholders, investors, financial analysts and other parties. When requests relate to information and clarification – via telephone, e-mail and letter,– about financial information, activity, dividends, general meetings and other issues of a similar nature, and when such information is public, then the response is generally immediate.

In the other situations – provided it falls within the DRI's jurisdiction – the response time depends on the nature and complexity of the request, the availability of information and the eventual need for obtaining contributions from the Group's other bodies or departments.

In general terms, all the documents issued for public dissemination by BPI within the scope of its relationship with the market (including preparatory documents for general meetings) are available for dispatch in digital format, upon request.

All the information of a public nature regarding the BPI Group can be requested from the Investor Relations Office via the contact page at the web site, by telephone, e-mail, fax or by letter.

INVESTOR RELATIONS CONTACTS

Address:	Rua Tenente Valadim, n.º 284 – 3.º 4100-476 Porto
Phone:	+351 22 607 33 37
Fax:	+351 22 600 47 38
E-mail:	investor.relations@bancobpi.pt
Web site:	www.ir.bpi.pt

V. WEB SITE

59. Web site

BPI has a web site, available in English and in Portuguese, dedicated exclusively to the disclosure of information of an institutional nature about the Group. This web site is available at the address www.ir.bpi.pt.

60. Location where the information about the firm, its status of a public limited company, the registered office and the other details referred to in article 171 of the Commercial Companies Code is provided

The information referred in item 60 is available in the web site of Banco BPI, in the section "Mandatory Information to Investors".

61. Location where the Statutes and the functioning regulations of the governing bodies and the Board of Directors' consultative committees can be found

The information referred in item 61 is available in the web site of Banco BPI, in the section "Corporate Governance".

62. Location where the information about the identity of the persons sitting on the governing bodies and of the person representing relations with the market and the functions and means of access to the Investor Relations Division is provided

The information related to the identity of the persons sitting on the governing bodies is available in the web site of Banco BPI, in the section "Corporate Governance".

The information related to the identity of the person representing relations with the market and the Investor Relations Division, respective functions and means of access, is available in the web site of Banco BPI, in the section "Mandatory Information to Investors".

63. Location where the reports and accounts of the previous five years, as well as the calendar of corporate events including, amongst other information, the meetings of the General Meeting and the disclosure of the annual, interim and quarterly accounts can be found

The annual reports and accounts for each year, half-year and quarter for the previous five years is available in the web site of Banco BPI, in the section "Financial data".

The calendar of corporate events including, amongst other information, the meetings of the General Meeting and the disclosure of the annual, interim and quarterly accounts is available in the web site of Banco BPI, in the section "IR' Events Calendar".

64. Location where the General Meeting Notices, as well as the proposals to be tabled for discussion and voting by the shareholders can be found

The information referred in item 64 is available in the web site of Banco BPI, in the section "General Meeting".

65. Location where the historical register with the resolutions passed at the Company's General Meetings, the share capital represented and the voting results relating to the preceding three years is available

The information referred in item 65 is available in the web site of Banco BPI, in the section "General Meeting".

D. REMUNERATION

I. POWER TO FIX REMUNERATION

66. Power to determine the remuneration of the Company's governing and Management bodies

The Remuneration Committee is the body responsible for setting the remuneration of the members of the management and oversight bodies.

In terms of the law, the Board of Directors is responsible for fixing the remuneration of the Bank's Employees, namely those referred to in article 115 C)(5) of the RGICSF, that is:

- senior management;
- those responsible for risk assumption;
- those responsible for control functions;
- Employees whose total remuneration places them on the same salary scale as that envisaged for the above-mentioned categories, providing that the respective professional activities have a material impact on the institution's risk profile.

II. REMUNERATION COMMITTEE

Terms of reference

The Remuneration Committee is responsible for:

- fixing the remuneration of the members of Banco BPI's governing bodies, based on the opinion of the CNAR and within the framework of the compensation policy approved by the GM;
- defining the remuneration policy and applying the retirement regime for members of Banco BPI's Executive Committee (once again, within the framework of the compensation policy approved in GM) and the Board of Directors of Banco Português de Investimento;
- evaluating the members of Banco BPI's Executive Committee and of the Board of Directors of Banco Português de Investimento, with a view to determining the respective annual variable remuneration.

In the exercise of their functions, the Remuneration Committee takes into consideration the proposals and recommendations presented to it by the Nominations, Evaluation and Remuneration Committee in terms of the provisions of article 7(4) of Bank of Portugal Notice 10 / 2011.

According to the statutes (article 28) at the time the General Meeting appoints the Remuneration Committee, the former must define that the term of office of the governing bodies which commences on the date of that resolution, the limits of the annual fixed remuneration of all the members of the Board of Directors and the maximum percentage of the profits, which cannot exceed 5%, that can be set aside each year for the variable remuneration of the members of the Executive Committee.

As regards the fixed remuneration of the members of the Board of Directors and the variable remuneration of the Executive Committee, these must respect the limits prescribed by the General Meeting.

67. Composition of the remuneration committee

Pursuant to Banco BPI's statutes the Remuneration Committee (RC) is composed of three shareholders elected for three-year terms by the General Meeting, who in turn shall elect from amongst themselves the Chairman, who has the casting vote.

The Remuneration Committee is composed of independent members *vis-à-vis* the executive members of the Board of Directors.

In the performance of its duties, the RC can be assisted by the experts and external consultants that the Committee believes it should consult.

The Remuneration Committee does not resort to the services of natural or legal persons who are not independent because they are bound by an employment or service contract to the Board of Directors as well as, when applicable, because such persons have a current relationship with BPI's consultancy firm.

The Remuneration Committee's composition for the 2014 / 2016 term was approved by the Shareholders in the General Meeting of 23 April 2014 and has the following composition:

- Caixabank, S.A. represented by Isidro Fainé Casas;
- Arsopi Holding, SGPS, S.A. represented by Armando Leite de Pinho;
- Violas Ferreira Financial, S.A. represented by Edgar Alves Ferreira.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

All the members of the Remuneration Committee currently occupy or have occupied in the past management positions at various other companies, and possess knowledge and experience in matters of remuneration policy.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the management and oversight bodies referred to in article 2 of Law no. 28 / 2009, of 19 June

Without prejudice to the detailed references relating to this matter which appear in the following paragraphs of this chapter, the complete content of the Remuneration Policy for the members of Banco BPI's Management and Oversight bodies in force for the period 2014 / 2016 is described as follows.

The present Remuneration policy was submitted to the General Meeting of 23 April 2014 and approved thereat.

Under Banco BPI's Recapitalisation Plan and according to the regime set out in article 12 of Ministerial Order 150-A / 2012 of 17 May and in sub-paragraph l) of Annex XI to Decree-Law 104 / 2007 of 11 April, until such time as the Core Tier 1 Capital instruments subscribed by the Portuguese State were not fully redeemed, the above-mentioned remuneration policy was subject to the following adjustments:

- reduction of the amount of the combined fixed remuneration of the members of the Board of Directors and of the members of the Supervisory Board to 50% of the average amount of the remuneration paid to the members of these bodies in 2010 and 2011;
- non-payment to the director members of the Executive Committee of any variable remuneration, but without prejudice to the Remuneration Committee continuing within the framework of the Remuneration Policy rules in force, to grant to these members of the Executive Committee variable remuneration provided that this is not paid until such time as the said instruments are fully redeemed.

On 25 June, Banco BPI reimbursed to the Portuguese State 420 million euros of contingent convertible subordinated bonds (CoCo), therefore completing the fully repayment of those instruments.

The full updated content of the mentioned Policy is the following:

"1. DEFINITION OF REMUNERATION POLICY

Responsibility for defining the remuneration policy applicable to the members of the management and supervisory bodies lies with the Remuneration Committee, assisted (advised) by experts and external consultants who the Committee deems should be consulted.

The Remuneration Committee must take into consideration in defining the Remuneration Policy of the members of Banco BPI's management and oversight bodies the objectives that such policy (i) contributes to promoting and is coherent with a sound and prudent risk management (ii) does not constitute an incentive for the assumption of risk levels above those tolerated by the Bank and (iii) does not create or contribute to conflict of interest situations.

The Remuneration Policy defined must be compatible with Banco BPI's business strategy and objectives, values and long-term interests – just as these are and may become defined by the relevant governing bodies for this purpose.

The Remuneration Committee must also bear in mind in formulating Remuneration Policy and in such a manner that take into account and are appropriate and proportionate to the nature, characteristics, scale, organisation and complexity of Banco BPI's activities, the principles and applicable legal rules, namely those envisaged in point XI of the annex to Decree-Law 104 / 2007 of 3 April, and in Bank of Portugal Notice 10 / 2011, as well as the legal provisions resulting from the transposition of Directive 2013 / 36 / EU of the European Parliament and Council of 26 June 2013.

The Board of Directors' Committee known as the Nominations, Evaluation and Remuneration Committee (NERC) – whose duty it is to collaborate and perform the functions envisaged in article 7 of Bank of Portugal Notice 10 / 2011 – shall participate in formulating the Remuneration Policy. Within the framework of the process of formulating Remuneration Policy, the Remuneration Committee and/or the NERC may call upon those responsible for the audit, compliance and risk-management units, from whom it may request the contributions which, for this purpose and with respect to the risks in which each one of these functions intervenes, they consider relevant.

1.1 A Remuneration Committee

1.1.1. Terms of reference

According to the provisions of article 28(2) of Banco BPI's Statutes, the remuneration of the members of Banco BPI's management and supervisory bodies is laid down by the Remuneration Committee after having heard, as regards the members of the Board of Directors who form part of the Executive Committee,(in this document referred to as executive Directors), the CNAR.

The definition of remuneration envisaged in the preceding paragraph is, in terms of article 28(3) of the Statutes, done within the framework of the ceiling for the fixed remuneration of the Board of Directors' members, as well as of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year –, that can be allocated to the executive Directors variable remuneration, which may be fixed by the General Meeting at the beginning of each governing body's term of office.

At least one member of the Remuneration Committee shall be present at Banco BPI's Shareholders' General Meeting.

1.1.2. Committee's composition

In terms of Banco BPI's Statutes, the Remuneration Committee is composed of three shareholders elected every three years by the General Meeting, who shall appoint a Chairman from amongst their number and who shall have the casting vote.

The Remuneration Committee is composed of independent members vis-à-vis *the executive members of the Board of Directors and includes at least one member with knowledge and experience in the field of remuneration policy.*

The Remuneration Committee will have for the three-year term 2014 / 2016, the composition that was approved at the Shareholders' General Meeting of 23 April 2014.

1.2. Comparisons used

In setting the remuneration of the members of Banco BPI's management and supervisory bodies, the Remuneration Committee takes into due consideration the remuneration policies and practices of comparable Iberian banks.

1.3. Annual evaluation

The NERC undertakes an analysis and annual assessment of the application of the Remuneration Policy with a view to ascertaining whether its application results in effects on the management of the institution's risks, capital and liquidity that requires a review of that policy and, where this is the case, the identification of the corrective measures to be adopted. In the analysis and assessment concerned, the NERC may call upon, amongst others, those in charge of the audit, compliance and risk management units, from whom contributions may be requested which for this purpose and with respect to the risks in which each one of these functions intervene, they consider relevant. The NERC communicates to the Remuneration Committee the findings of the aforesaid analysis and assessment, and will liaise with it the presentation of the conclusions reached to the Annual General Meeting.

2. GENERAL PRINCIPLES OF BANCO BPI'S REMUNERATION POLICY

2.1. Remuneration policy

2.1.1. For non-executive Directors and members of the Supervisory Board

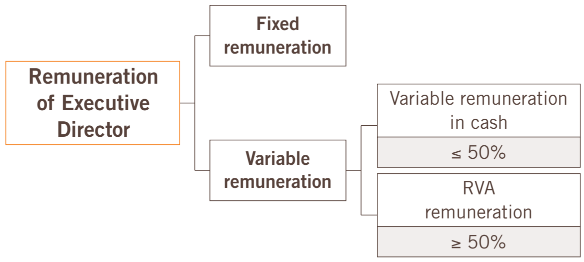
According to the provisions of article 28(1) of the Statutes, the remuneration of the non-executive members of the Board of Directors (Non-executive Directors) and of members of the Supervisory Board is composed exclusively of a fixed remuneration, paid monthly, and excluding any variable remuneration and, therefore, not dependent on Banco BPI's results. In the case of the non-executive Directors who sit on the Board of Directors' consultative and support bodies contemplated in the Statutes, that remuneration is increased by the amount of the respective attendance allowances.

2.1.2. For the executive Directors

The remuneration of the Executive Directors is composed of a fixed and a variable component. The variable remuneration may not be awarded in exceptional cases, namely, if its granting prejudices the base of Banco BPI's own funds and to the extent that the Remuneration Committee so decides.

For its part, the variable remuneration is composed of a portion in cash and a portion in Banco BPI shares and/or options to buy Banco BPI shares (hereinafter referred to as the RVA Remuneration), awarded within the framework and in the terms of the Regulations of the Variable Remuneration in Shares Programme (Regulamento do Programa de Remuneração Variável em Acções – RVA) approved at the General Meeting of 27 April 2011 and disclosed in the Corporate Governance Report (hereinafter referred to as the RVA Regulations) and other rules relating thereto.

The RVA Remuneration should represent, at the very least, 50% of the overall amount of the variable remuneration of each Executive Director.



The RVA Remuneration, up to the limit of 50% of the overall amount of each Executive Director's variable remuneration, is made available with subjection to a suspensive term (called the Deferral Period, the definition of which appears in section 3 of this Policy) that results in the deferral of the availability of the aforesaid RVA Remuneration for the period of 3 years and simultaneously with the subjection to a suspensive condition (called the Access Condition to Deferred Remuneration, the definition of which appears in section 3 of this Policy), referred to in this document as the Deferred RVA Remuneration.

2.2. Overall limits applicable to the members of the management bodies

Banco BPI's Statutes attribute to the General Meeting the powers to define, valid for the term of office of the governing bodies which commences on the date of this resolution, of the limit:

i) of the annual fixed remuneration of the members of the Board of Directors;
ii) of the maximum percentage of the annual consolidated net profit – which cannot exceed 5% in any year – that can be allocated each year to the executive Directors variable remuneration.

For the three-year period 2014 / 2016 the Remuneration Committee proposes the following limits:

a) Limit of the annual fixed remuneration for the members of the Board of Directors: 4 000 000 €; this limit is subdivided into the following partial limits:
  – Non-executive Directors (not including for this purposes attendance allowances): 1 400 000 €;
  – Executive Directors: 2 600 000 €.
b) Maximum percentage of the annual consolidated net profit which each year can be allocated to the variable remuneration of the group of executive Directors: 1%.

2.3 Specific limits of the variable remuneration of the Executive Directors

Executive Directors variable remuneration is subject to the rules described in various points of the present Remuneration Policy which are summarised next, rules via which one arrives at the limit on executive Directors variable remuneration in the case envisaged in article 2(3)(b) of Law 28 / 2009 of 19 June, that is, "in the case where the results evidence a meaningful deterioration in the company's performance in the last financial year or where this is expected in the year in progress", as well as that provided for in sub-paragraph v) of the Annex to Decree-Law 104 / 2007 of 3 April, in that part which lays down that "The total variable remuneration must be considerably reduced where the institution's performance retracts or is negative":

a) Rule which provides that the variable remuneration limit for the executive Directors is defined according to Banco BPI's consolidated results, ensuring annually in this way an effective ceiling on that remuneration in the event of a negative trend in results;
b) Rule which provides that in fixing the overall amount of the variable component of the executive Directors remuneration, account is taken of the evolution of the overall amount defined for the variable remuneration of the universe of Banco BPI Employees, which in turn in that part relating to the Employees working in Portugal, depends on the pre-tax consolidated net profit from Banco BPI's domestic operations, ensuring also in this way the limit on the executive Directors variable remuneration in case of a negative trend in results;
c) Rule that envisages that at least 50% of executive Directors variable remuneration is composed of Banco BPI shares and/or options to purchase Banco BPI shares which the executive Director cannot freely dispose of for a period of 3 years (Deferred RVA Remuneration), shares and options whose value reflects by nature and in these terms an exposure to the behaviour of the company's performance and to the price of its shares;
d) Subjection of the Deferred RVA Remuneration to the Condition for Access to Deferred Remuneration and consequent loss of same if the aforesaid condition is not fulfilled in the terms contemplated in this same RVA Regulation.

On the other hand, the conjugation of the rules referred to in the preceding sub-paragraphs c) and d) with the fact that the duration of the executive Directors term of office is 3 years, ensures that a substantial portion of the variable remuneration (Deferred RVA Remuneration) is effectively only made available after conclusion of the term of office and once the accounts for the latest financial year are approved, which materialises the possibility of what is referred to in article 2(3)(d) of Law 28 / 2009 of 19 June, that is, the "possibility that the payment of the variable component of remuneration, if it exists, takes place in whole or in part after the determination of the annual accounts corresponding to the entire term of office".

2.4 Alignment of interests

The present Remuneration Policy is aimed at, amongst other objectives, contributing to the alignment of executive Directors interests with those of the company and to the disincentive for the excessive assumption of risk. That contribution results, amongst other aspects:

a) from the relationship established in the terms set out in point 2.3 between the amount of the variable remuneration to be awarded each year and Banco BPI's consolidated results;
b) from the circumstance that the availability of a portion of this remuneration (of an amount corresponding at least to 50% of the overall amount of the variable remuneration) is deferred for 3 years;
c) from the fact that the aforesaid portion of variable remuneration is, as a rule, composed of Banco BPI shares and/or share options awarded within the framework and in the terms of the RVA Regulations; and, finally
d) from the fact that the Deferred RVA Remuneration is subject to the Condition for Access to Deferred Remuneration.

With the acceptance of the variable remuneration granted to them, the Executive Directors assume the commitment, up until the verification of the Access Condition to the Deferred Remuneration, to not utilise remuneration insurance or any other risk-hedging mechanisms trending towards attenuating the effects of the alignment of the interests referred to in the preceding paragraphs.

2.5. Determination of remuneration

2.5.1. For the non-executive Directors and the members of the Supervisory Board

The actual remuneration of the non-executive Directors and of the members of the Supervisory Board is defined at the start of each three years by the Remuneration Committee, taking into account in their case the overall limit laid down by the General Meeting referred to in 2.2 a). The Remuneration Committee also defines at the start of each three-year period, the value of the attendance allowances payable to the non-executive Directors who sit on the Board of Directors' consultative and support committees contemplated in the Statutes.

2.5.2. For the executive Directors

2.5.2.1 Fixed remuneration

The fixing of the amount of the fixed remuneration of the executive Directors is undertaken by the Remuneration Committee, after having heard the CNAR, within the framework of the limit envisaged in 2.2.a).

The amount of this remuneration is adjusted annually by the application of the rate of increase identical to that which, under the CEA for the banking sector, is applied to level 18 remuneration.

2.5.2.2 Variable remuneration

The fixing of the overall amount of the Executive Directors variable remuneration is undertaken by the Remuneration Committee, having heard the CNAR, based on their performance evaluation and taking in account:

a) Observance of the rules defined in 2.1 and the limit referred to in 2.2. b) above;
b) The policy adopted in this domain at peer (comparable) institutions, as defined in 1.2.

In fixing the overall amount of the variable component of the executive Directors' remuneration, although no automatic dependence relationship shall stem there from, the trend of the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration. In this respect, it will be recalled that in *defining the overall amount of the variable remuneration of the universe of Banco BPI Employees who perform their functions in Portugal, one of the most important factors taken into account is the consolidated net profit before tax from Banco BPI's domestic operations.*

The performance evaluation of the Executive Directors must take into account not only the relevant financial year but, to the extent that the term of office progresses, the previous financial years so that such evaluation and, consequently, the overall amount of the variable remuneration to be awarded to the Executive Directors, takes into account a multi-year perspective.

2.6. Profit sharing

Banco BPI does not have a policy of remunerating its Directors through profit sharing.

2.7. Other benefits

2.7.1. Retirement benefits for executive Directors – principal characteristics

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The members of the management body who are or have been Executive Directors (or in the case of the previous governance model, Management Board members) also are entitled under a defined-benefit regime to a complementary retirement benefit, approved at the Bank's General Board meeting on 25 July 1995. This complementary retirement benefit affords to the respective beneficiaries a supplementary pension, the monthly amount of which depends of the monthly salary in force on 31 December 2009 for the office of the Executive Committee corresponding to that which the said beneficiary occupied and the number of years exercising those functions.

The rules governing the aforesaid benefit are enshrined in the Regulations of the Retirement Entitlement of the Management Members approved at the above-mentioned General Board meeting and which is reproduced in the Corporate Governance Report.

The Executive Directors are entitled to a complementary retirement benefit under the defined-contribution regime to which the Bank contributes with a monthly amount equal to 12.5% of the value of his/her monthly salary which was in force on 31 December 2009 for the office of the Executive Committee corresponding to that which this beneficiary occupies, updated at the identical rate as that which in terms of the ACT is applied to level 18 remuneration.

The members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

i) the pensions paid by the Social Security which fall under any of the following two categories:
- *those relating to the functions performed at the BPI Group;*
- *those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;*

ii) the pensions paid by other BPI Group pension plans.

2.7.2 Situations of dismissal or early termination of functions of a member of the Board of Directors

There is no provision, in the case of dismissal or early termination of functions of a member of the Board of Directors, that the Bank must pay such person any indemnity or compensation other than that which may result from applicable legal provisos.

3. SPECIFIC RULES APPLICABLE TO THE VARIABLE REMUNERATION OF EXECUTIVE DIRECTORS

As referred to in 2, only the executive Directors remuneration includes a variable component which, in addition to that set out in the preceding points, is also subject to the following rules:

3.1 Structure and composition of the variable component

The variable remuneration awarded to executive Directors is composed of a portion awarded in cash and a portion in Banco BPI shares and/or options to purchase such shares within the framework and under the terms of the RVA Regulations. The variable remuneration portion of each one of the executive Directors which comprises shares and/or options to purchase Banco BPI shares must represent at least 50% of the overall amount of the respective variable remuneration.

3.2 Definition of the amount to be awarded

Once the overall amount of the remuneration has been defined in the terms referred to in 2.5.2.2 above, the determination of the actual amount of the variable remuneration to be awarded to each executive Director is done by the Remuneration Committee, taking into account the evaluation of each one's performance with reference to the financial year and to the period elapsed between the start of the term of office in progress, which in turn takes into consideration the following quantitative criteria:

a) Solvency (solvency ratio, loan default ratios, foreclosure properties and the situation of the Bank's pension fund);
b) Profitability (ROE, net interest income, impairments and Raroc – Risk adjusted return on capital;
c) Efficiency (cost-to-income ratio);
d) Market position (market shares);
e) Liquidity (ratio of transformation of balance sheet resources into loans, maturity of medium / long-term debts and the level of ECB utilisation).

On the other hand, qualitative criteria also encompass the Bank's reputation indicators and the level of customer complaints.

The amount of executive Directors variable remuneration laid down by the Remuneration Committee is reduced by the amount of the remuneration earned from the exercise of functions at other companies on Banco BPI's instructions.

3.3 Award

The awarding of variable remuneration to the executive Directors is done in the first half of the year following that to which it relates, observing the provisions envisaged in the following points and such other terms which may be set by the Remuneration Committee (which date is designated according to the RVA Regulations as the Payment Date).

3.4 Availability

The portion of each executive Director's variable remuneration paid in cash, up to the 50% limit of the overall amount of this variable remuneration, is made available immediately on the Payment Date and without such availability being subject to conditions.

The availability of the Deferred RVA Component is deferred for a period of 3 years commencing on the Payment Date (Deferment Period), which:

a) in the case of BPI shares, constitutes a suspensive term to which the respective transfer is subject; and,
b) in the case of options, constitutes the period after which they mature.

The availability of the Deferred RVA Remuneration is also subject to the fulfilment of the following condition designated as Condition for Access to Deferred Remuneration.

***Access Condition to Deferred Remuneration:** Banco BPI's shareholders' equity, as per its consolidated accounts relating to the year immediately prior to that in which the Conclusion Date of the Deferral Period falls (Final Shareholders' Equity figure), should be more than Banco BPI's shareholders' equity figure as per its consolidated accounts relating to the Reference Year (Initial Shareholders' Equity figure);*

For purposes of the above Condition, the following definitions shall apply:

- ***Payment date:** the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;*
- ***Conclusion Date of the Deferral Period:** the date which marks the end of 3 years after the Payment Date;*
- ***Payment year:** the financial year in which the Payment Date falls;*
- ***Reference year:** the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.*

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) provided that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business.

Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the NERC (not effecting however the awards already made).

4. DISCLOSURE AND REVISION

The present Remuneration Policy is disclosed on the intranet and on Banco BP's web site, and is available and accessible for consultation by any person.

The present Policy as well as its implementation will be the object of annual review by the Remuneration Committee, after having heard the CNAR, with the Remuneration Committee being responsible for presenting to the Shareholders the alterations it considers warranted."

Bearing in mind that Decree-law no. 157 / 2014 of 24 October introduced amendments to the legal provisions relating to the remuneration policy for members of credit institutions' management and oversight bodies, the Remuneration Committee will submit to the next Shareholders' Annual General Meeting the adjustments that it deems necessary in the wake of those legal amendments to the remuneration policy previously approved and described above.

70. Alignment of directors' interests with the company's long-term interests

As referred to in the actual text of the Remuneration Policy, it is aimed at, amongst other objectives, contributing to the alignment of the executive directors' interests with those of the company and the dissuasion of the assumption of excessive risks. That contribution results from, amongst other aspects:

- the relationship established, in the terms set out in point 2.3 of the Policy, between the amount of the variable remuneration to be granted each year and Banco BPI's consolidated earnings;
- the fact that payment of part of that remuneration (in the amount corresponding to at least 50% of the overall amount of the variable remuneration) is deferred for 3 years;
- the fact that the said portion of the variable remuneration being, as a rule, composed of shares and/or options for acquiring Banco BPI shares awarded within the framework and in the terms of the RVA Regulations (included in 3.6 of the present Report); and, finally
- the fact that the deferred RVA Component is subject to the Condition for Access to Deferred Remuneration;
- from the fact that the Remuneration Committee can deliberate in exceptional cases that it will not be awarded, namely where it could prejudice the Bank's own funds' base.

71. Variable component of remuneration and impact of the performance e valuation on this component

The Executive Directors' remuneration is composed of a fixed and a variable component.

In turn, the variable component is composed of a cash portion and a portion (hereinafter called the RVA Component) in Banco BPI shares and/or options to acquire Banco BPI shares, awarded within the framework and upon the terms of the Regulations governing the Variable Remuneration in Shares Programme (Portuguese initials RVA) and the other rules relating to this scheme.

The RVA Component should represent at least 50% of the overall amount of each Executive Director's variable remuneration.

The fixing of the overall amount of the Executive Directors' variable remuneration component is done by the Remuneration Committee, after having heard the CNAR, based on their performance evaluation and bearing in mind:

a) observance of the maximum percentage of the annual consolidated net profit that can be appropriated to the executive directors' variable remuneration, as laid down in the remuneration policy approved by the General Meeting;
b) the remuneration policies and practices of comparable Iberian banks.

In fixing the variable component of executive directors' remuneration, the trend in the overall amount defined for the variable remuneration of the universe of Banco BPI Employees is also taken into consideration, although this does not mean that there is an automatic correlation between the two. In this respect, it will be recalled that in determining the overall amount of the variable remuneration for the universe of Banco BPI Employees who work in Portugal, one of the most important factors taken into account is the pre-tax consolidated net profit earned from Banco BPI's domestic operations.

The evaluation of Executive Directors' performance shall also take into account not only the relevant financial year but, to the extent that the term of office progresses, the previous financial years so that that evaluation and, consequently, the overall amount of the variable remuneration to be awarded to the Executive Directors takes into account a multi-year perspective.

72. Deferment of payment of the variable remuneration component

The RVA Component, up to the 50% limit of the overall amount of each executive Director's variable remuneration, becomes available subject to a deferral period of 3 years, that is, it remains subject to the Deferral Period and to the Condition for Access to Deferred Remuneration (as defined in the RVA Regulations).

73. Miscellaneous information about the variable remuneration in shares

The following are the criteria used as the basis for the awarding of variable remuneration in shares, as well as for the retention by the executive directors of those shares and for the entering into future contracts relating to those shares, namely hedging or risk transfer contracts, respective limit, and their relationship *vis-à-vis* the total annual remuneration:

Once the overall amount of the variable remuneration has been defined as set out in 71 above, the fixing of the actual amount of the variable remuneration to be awarded to each executive director is done by the Remuneration Committee taking into account each one's performance evaluation with reference to the year and period since the beginning of the current term of office, which, in turn, takes into account the following quantitative criteria:

a) solvency (solvency ratio, loan default ratios, foreclosed properties and the situation of the Bank's Pension Fund);
b) profitability (ROE, net interest income, impairments and Raroc – Risk adjusted return on capital);
c) efficiency (cost-to-income ratio);
d) market position (market shares);
e) liquidity (transformation ratio of balance sheet resources into loans, maturity of medium / long-term debt and the level of ECB utilisation).

On the other hand, qualitative criteria are also considered, namely the Bank's reputation indicators and the level of customer complaints.

The amount of compensation earned for the exercise of functions at other companies indicated by Banco BPI is deducted from the amount of the executive directors' variable remuneration as fixed by the Remuneration Committee.

The awarding of variable remuneration to the executive directors is effected on a date in the first half of the year following that to which it refers, in compliance with the rules laid down in the following points and under such other terms as may be fixed by the Remuneration Committee (which date according to the RVA Regulations is known as the Payment Date).

The portion of each executive director's variable remuneration paid in cash is, up to the 50% limit of the overall amount of that variable remuneration, immediately available on the Payment Date and without such availability being subject to conditions. The availability of the Deferred RVA Component shall be suspended for a period of 3 years commencing from the Payment Date (Deferral Period), which:

- in the case of BPI shares, constitutes the suspensive term to which the respective transfer remains subject; and,
- in the case of options, constitutes the period the course of which is necessary for them to mature.

Without prejudice to the above-mentioned payment conditions, payment of the Deferred RVA Component is also subject to the ascertainment of the following access condition (envisaged and termed in the RVA Regulations as Condition for Access to Deferred Remuneration):

Condition for Access to Deferred Remuneration: Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the financial year immediately preceding that on which the Deferral Period Completion Date Diferimento (ending shareholders' equity) is higher than Banco BPI's shareholders' equity situation, calculated based on its consolidated accounts relating to the Reference Year (initial shareholders' equity);

For purposes of the above Condition, the following definitions shall apply:

- payment date: the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;
- conclusion Date of the Deferral Period the date which marks the end of 3 years after the Payment Date;
- payment year: the financial year in which the Payment Date falls;
- reference year: the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) providing that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business. Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the NERC (not effecting however the awards already made).

With the acceptance of the variable remuneration granted to them, the Executive Directors assume the commitment, up until the verification of the Access Condition to the Deferred Remuneration, to not utilise remuneration insurance or any other risk-hedging mechanisms trending towards attenuating the effects of the alignment of the interests referred to in point 70.

74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the exercise price

As the awarding of variable remuneration in options is one of the components of variable remuneration, its awarding is based on exact assumptions and the criteria indicated above in point 73 for the awarding of shares, with the deferral period being 3 years.

According to the RVA Regulations, the exercise price of the options awarded to the members of the Executive Committee is approved by the Remuneration Committee.

The Exercise Price shall be adjusted in the case of:

a) there being a change in BPI's share capital, except in capital increases with cash calls in which the shareholders have renounced their pre-emption rights;

b) there being a distribution of dividends and/or reserves to BPI shareholders, except where BPI's Board of Directors considers that such operation does not have a significant effect on the value of the shares;

c) the Executive Body considers that a fact has occurred of a nature similar to that which substantially reduces the value of BPI shares.

In the cases envisaged in sub-paragraph a), there shall be, together with the adjustment to the exercise price, an adjustment to the quantity of options awarded which, according to the criterion envisaged in the following paragraph, becomes necessary.

The above foreseen adjustments shall be made, in the terms determined by the Remuneration Committee, in such a manner that the Director's position remains substantially identical to that which existed before the occurrence of the facts that gave rise to them.

The following are the exercise prices applicable to BPI shares and to the BPI share options awarded under the various major RVA Programmes:

Summary table of the RVA programmes

Amounts in euro

Plan	Shares				
	Award date	Acquisition amount[1]	Availability date of the tranches		
			2nd	3rd	4th
RVA 2013	14-05-2014	1.806	14-05-2015	14-05-2016	14-05-2017
RVA 2012	19-12-2012	0.866	19-12-2013	19-12-2014	19-12-2015
RVA 2011	28-05-2012	0.366	28-05-2013	28-05-2014	28-05-2015
RVA 2010	29-04-2011	1.108	29-04-2012	29-04-2013	29-04-2014

1) Award amount after the effect of Banco BPI's capital increases which took place in May 2011, August 2012 and June 2014.

Amounts in euro

Plan	Options					
	Award date	Acquisition amount	Exercise price		Exercise period	
			Inicial	Adjusted[1]	From	To
RVA 2013	14-05-2014	0.4430	1.806	1.806	15-08-2014	14-05-2019
RVA 2012	19-12-2012	0.2770	0.866	0.866	19-03-2013	19-12-2017
RVA 2011	28-05-2012	0.124	0.366	0.358	29-08-2012	28-05-2017
RVA 2010	29-04-2011	0.2765	1.245	1.108	30-07-2011	29-04-2016
RVA 2009	11-03-2010	0.367	1.935	1.722	12-06-2010	11-03-2015
RVA 2008	16-03-2009	0.374	1.413	1.258	17-06-2009	16-03-2014

1) Exercise price after the effect of Banco BPI's capital increases which took place in May 2011, August 2012 and June 2014.

75. The key factors and grounds for any annual bonus scheme and any additional non-financial benefits

BPI Group Directors do not benefit from other forms of remuneration – cash and non-cash – other than those referred to in this document or in the notes to the financial statements or which stem from the normal application of the CEA or labour law.

In the notes to the consolidated financial statements 4.52 Related parties, information is given about the loans granted to the Executive Directors for the acquisition of their own homes and the loans granted for the acquisition and maintenance of the BPI shares resulting from the exercise of the options awarded under the RVA programme (as is the case with Employees), and about the various insurance policies which the Executive Directors benefit from.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) benefit from the pension plan applicable to the majority of Banco BPI Employees to the extent that they were Banco BPI Employees before occupying these positions and have seen, in terms of the law, their employment contract suspended.

The management board members who are or have been executive Directors (or, in the case of the previous governance model, members of the Management Board) also benefit under the defined-benefit regime from a supplementary pension approved at the Bank's General Board meeting of 25 July 1995 and which provides them a supplementary pension, the monthly amount of which depends on the monthly salary earned as executive Directors and the number of years they performed those functions.

The rules which govern the aforesaid benefit are set out in the Retirement Entitlement Regulations for the Members of the Management Board, approved at the above-mentioned General Meeting (and hereinafter referred to as the Retirement Entitlement Regulations).

The executive Directors are entitled to a supplementary retirement benefit, to which the Bank contributes a monthly amount equal to 12.5% of the amount of their fixed monthly salary which exceeds at any moment the amount of their fixed monthly salary at 31 December 2009, updated at the identical rate of increase which under the CEA is applied to level 18 remuneration.

The members of the management and supervisory bodies who are not, nor have they even been, executive Directors (or, in the case of the previous model, members of the Management Board) are not entitled to any retirement benefit granted by the Bank.

The following amounts are deducted from the pensions paid under the plan for the executive Directors:

- the pensions paid by the Social Security which fall under any of the following three categories:
  - those relating to the functions performed at the BPI Group;
  - those relating to the functions performed at third party entities at the BPI Group's instigation and which the BPI Group has recognised for that purpose;
  - the pensions paid by other BPI Group pension plans.

The principal features of the executive directors' retirement benefits scheme are set out in the Regulations which are reproduced next:

"Article 1

1. The members of Banco BPI's Management Board are entitled to retire as set out in the Articles of Association and herein established, provided that the following conditions are met:

a) They have reached the age of 60 or became incapacitated to perform their duties;

b) Being, at the time when the facts referred to in the preceding sub-paragraph occur, elected to the post of Manager or, if they are not, they meet the requirements set out in article 4;

c) They have held such office for at least 3 years, consecutive or intermittent.

2. For purposes of the requirement envisaged in sub-paragraph c) of the preceding number, the following is counted:

a) The entire length of tenure as a Director, even before these Regulations;

b) The entire length of tenure as a Director, before the alteration to the Bank's structure and as SPI – Sociedade Portuguesa de Investimentos, SARL's Director.

3. If Banco BPI, S.A.'s structure is changed again to Board of Directors instead of Management Board, the provisions herein set out shall still apply to Directors' retirement, as the aim is to regulate the retirement entitlement of the members of this bank's management body.

Article 2

1. Retirement entitles the beneficiaries to receive from the Bank a pension calculated on the basis of the amount of the fixed monthly remuneration as at 31 December 2009 for the Management Board post corresponding to that which they occupied at the date the conditions envisaged in article 1 are met, updated at the identical rate of increase as that, according to the Collective Employment Agreement for the banking sector, which is applied to level 18 remuneration.

2. The pension amount shall be that which results from the application of the percentages given below to the compensation referred to in paragraph 1 of this Article, depending on whether it is a disability to perform the duties or retirement age, and shall be calculated according to the number of years in which the office as member of the Board has been held:

No. of years the office as member of the Management Board was held	Disability to hold the office	Mandatory Retirement (age limit)
> 3	25%	-
> 4	30%	-
> 5	35%	-
> 6	40%	-
> 7	45%	-
> 8	50%	-
> 9	55%	30%
> 10	60%	40%
> 11	65%	50%
> 12	70%	60%
> 13	75%	70%
> 14	80%	80%
> 15	90%	90%
> 16	100%	100%

3. The retirement pension, fixed under the terms of the preceding paragraphs, shall be updated annually by the CPI rate of change.
4. Irrespective of the provisions set forth in Article 1 (1) (c), if disability results from accident at work or illness caused by work, the beneficiary is entitled to a pension in an amount which results from the application to the compensation referred to in paragraph 1 of this Article of a percentage that, as from 10%, shall grow as much for each full year of tenure as member of the Management Board, other than the first year, up to 100%.
5. For purposes of the application of the provisions of the preceding numbers, where the beneficiaries have exercised management functions at any Bank controlled by Banco BPI with head office in Portugal, whether these were exercised before or after the acquisition of that control, the relevant number of years exercise of functions (first column of table no. 2) shall correspond to the sum of the number of years during which the exercise of the office of Management Board member was exercised and the number of years of the exercise of management functions at the foresaid Bank(s) controlled by Banco BPI.

Article 3

1. For the purposes provided herein, the right to reach statutory retirement may be exercised when the Director reaches 60 years of age or is incapacitated to remain in office.
2. Any Director wishing to retire shall inform the General Board that, within 3 months from the date the notice is served, conditions herein set are met.
3. If the grounds for reaching retirement is a disability, the General Board may, if deemed fit, require that the Director be submitted to medical examination by experts appointed by the Board for the purpose.

Article 4

1. Whoever has completed 9 years, consecutive or interspersed, of the exercise of the office of Manager and who, having so ceased to exercise it, if he / she remains in management functions at any Bank controlled by Banco BPI until reaching the age of 60, in other functions at the last-mentioned or at a BPI Group company, or in functions outside the BPI Group but in the latter's interest or at the latter's instruction, upon reaching that age, or if before reaching that age becomes incapacitated for exercising such functions, acquires the right to start receiving a retirement pension which will be calculated by the application of the percentages indicated in article 2(2) for the situation of reaching retirement age to the amount of the salary referred to in article 2(1).
2. The amount of the pension referred to in the in the preceding paragraph shall be:
   a) revised under the terms set out in paragraph 3 of article 2;
   b) reduced by 20%, in case the beneficiary no longer is part of BPI's Management Board or of the management bodies of the banks listed therein, due to relinquishment of his / her posts on unfair grounds, or, if not re-elected, ceases to serve the BPI Group before attaining 60 years of age.

Article 5

1. In case of death of any Director who is retired, or who is still holding office but has already acquired rights pursuant to Article 4 of these Regulations, his / her relatives are entitled to a survivor's pension.
2. The amount of the survivor's pension provided for in the preceding paragraph shall be calculated based on the pension to which, pursuant to these Regulations, the beneficiary would be entitled if he / she were already retired, or on that already actually earned, as appropriate, and shall be revised annually by the CPI rate of change.
3. The percentages and conditions for granting a survivor pension to the relatives of the deceased Director shall be governed, in the part not specifically provided for in these Regulations, by the rules of the social security general scheme in force, which is attached hereto as Annex I.

Article 6

1. Pensions referred to in the preceding articles shall be deducted of the entire amount of pensions received or to be received by beneficiaries for their years of service at the BPI Group, or which the BPI Group may have acknowledged for said purpose.
2. If and when the interested party is entitled to the pensions referred to in the preceding paragraph, it shall apply for them and notify the Bank that they have been awarded and of any changes to the amounts – otherwise, the Bank shall not pay the pension due – substantiating, upon request, the amounts actually received for the Bank to calculate the amount of the pension to be paid or any repayment to be made by the beneficiary to the Bank.

3. The pensions set out herein shall be paid 14 times a year: twelve in the calendar months, one in June and the other before Christmas.

4. Any Director removed from the Management Board on fair grounds, or who has lost its mandate, as well as any Director not re-elected on fair grounds for dismissal, shall lose any right it may have acquired.

Article 7

1. The Bank may transfer any liabilities arising from the retirement entitlement herein ruled to an insurer or any pension fund.[1]

2. Such transfer requires prior written agreement of the beneficiaries whenever it causes changes to retirement conditions or a reduction in benefits or guarantees that they had been enjoying.

3. Insurance contracts against the risk that the Bank is extinguished shall be made, at the Bank's expense, ensuring, besides the extinction, that pensions continue to be paid.

4. The Management Board is authorised to enter into the insurance contracts mentioned in the preceding paragraph.

Article 8

Any expedient action resulting from the application of these Regulations, including the starting of retirement proceedings shall be organised by the relevant departments of the Bank.

Article 9

The General Board may delegate to the Compensation Committee the powers conferred in article 3, as well as any issues concerning the interpretation and integration of these Regulations.

Article 10

These Regulations replace those entered into force on 29 November 1990 but, for Board Members currently in office, apply only to those who, until 31 December 1995, opt for being subject to these Regulations."

IV. REMUNERATION DISCLOSURE

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

In 2014, the fixed remuneration for all the members of the Board of Directors amounted to 2 938 224 thousand euro.

Added to this figure were, in which refers specially to the fixed remuneration of the member of the Executive Committee, 37 170 euro in seniority payments and 3 809 euro relating to the long-service bonus (in terms of the Collective Employment Agreement for the Banking Sector), and in the case of the Board's non-executive members, 138 750 euro in attendance allowances at meetings of Board of Directors Committees set out in BPI's bylaws.

The amounts earned individually were as follows:

Amounts in euros

Board of Directors	Fixed remuneration	Variable remuneration Year 2010[2]	Attendance allowances	Seniority payments	Long-service bonus
Artur Santos Silva	99 000	n/a	18 500	n/a	n/a
Fernando Ulrich	440 833	133 000	n/a	7 202	0
António Domingues	404 888	105 000	n/a	4 748	3 809
António Farinha Morais[3]	104 797	88 200	n/a	3 007	0
Alfredo Rezende	38 500	n/a	29 600	n/a	n/a
António Lobo Xavier	38 500	n/a	1 850	n/a	n/a
Armando Leite de Pinho	38 500	n/a	1 850	n/a	n/a
Carlos Moreira da Silva	38 500	n/a	1 850	n/a	n/a
Edgar Alves Ferreira	38 500	n/a	29 600	n/a	n/a
Ignacio Alvarez Rendueles	38 500	n/a	25 900	n/a	n/a
Isidro Fainé Casas	38 500	n/a	n/a	n/a	n/a
João Pedro Oliveira Costa[4]	218 990	n/a	n/a	1 715	0
José Pena do Amaral	311 255	88 200	n/a	5 540	0
Manuel Ferreira da Silva	311 255	88 200	n/a	5 540	0
Maria Celeste Hagatong	311 255	88 200	n/a	5 540	0
Vicente Tardio Barutel	29 779	n/a	0	n/a	n/a
Klaus Dührkop[5]	9 917	n/a	1 850	n/a	n/a
Marcelino Armenter	38 500	n/a	18 500	n/a	n/a
Mário Leite da Silva	38 500	n/a	7 400	n/a	n/a
Pedro Barreto	311 255	88 200	n/a	3 878	0
Tomaz Jervell	38 500	n/a	1 850	n/a	n/a

1) In December 2006, the liabilities for defined-benefit retirement and survivors' pensions of the BPI Group's Banks were transferred to an open-end pension fund (Fundo de Pensões BPI Valorização).
2) Variable remuneration awarded in 2011 relating to the 2010 financial year, the payment of which is subject to the Deferral Period and to the fulfilment of the Access Condition to Deferred Remuneration, paid in 2014 after the termination of the deferral period, the fulfilment of the access condition and the reinstatement as explained above.
3) Ceased functions as member of the Board of Directors and as member of its Executive Committee on 23 April 2014.
4) Appointed on 23 April 2014.
5) Ceased functions as member of the Board of Directors on 23 April 2014.

Whereas:

A. National legal provisions applicable to Banco BPI's recapitalisation operation realised in June 2012 laid down limitations on the remuneration of the members of Banco BPI's Board of Directors (BD) and Supervisory Board (SB). Those limitations referred essentially:

- to the imposition of a decrease in the aggregate amount of the remuneration of the members of the BD and SB to 50% of the average of those remunerations paid to the members of those bodies in 2010 and 2011;
- to the prohibition of the payment of variable remuneration to the members of the BDEC.

On the other hand, the Commitments assumed to the European Commission, and which are in conformity with the internal market of State assistance given, included the remuneration-related provisions which are annexed.

B. Within the framework and in the execution of the legal provisions referred to in the preceding point:
   i) Banco BPI's recapitalisation plan, approved at the General Meeting (GM) of 27 June 2012 contemplated derogations from the remuneration policy that was in force, so as to embody the above-mentioned remuneration decreases and the prohibition of the payment of variable remuneration to the members of the Board of Directors' Executive Committee (BDEC);
   ii) the Remuneration Committee's resolution of 26 June 2012 set out, having obtained the opinion of the Nominations, Evaluation and Remuneration Committee (NARC), the new amounts of the remuneration of the members of the BD and SB (including that of the attendance allowances) to be adhered to with effect from 1 July 2012;
   iii) the remuneration policy approved by the GM held on 23 April 2014 for the 2014 / 2016 term of office contemplated and maintained the derogations referred to in B(i).

C. That, both the Remuneration Committee's resolution referred to in B(ii)., and the proposed Remuneration Policy for the 2014 / 2016 term of office referred to B(iii) included the following recommendations:
   i) The recommendation that, following the proposal by the NARC, the performance evaluation of the members of the BDEC and the fixing of the amount of the variable remuneration due to them as a result of the application of the Remunerations Policy – the payment of which shall remain dependent on a decision of the Remuneration Commission then in office and to be taken after the full repayment of the public investment – continues to be done annually;
   ii) The recommendation, once again dependent on the resolution to be passed by the Remuneration Committee then in office after the full repayment of the public investment, that the amounts corresponding to the decrease in their fixed remuneration resulting from the limitations stemming from the recapitalisation operation updated by the application of the same salary increase rates which, under the Vertical Collective Employment Agreement for the Banking Sector are applied to level 18 salaries – be paid to the members of the Board of Directors, to the members of the BDEC and to the members of the Supervisory Board.

D. That the remuneration-related limitations referred to in the preceding point resulting from the recapitalisation operation ceased with effect from 25 June 2014, date on which the public investment resulting from the recapitalisation operations was repaid in full.

E. The positive content of the NARC's opinion addressed to the Remuneration Committee relating to the performance of the members of the BDEC in 2012 and to the fixing of the amount of the variable remuneration that it deems should be awarded to them for the performance in the aforesaid year.

The Remuneration Committee passed the following resolutions on 3 September 2014:

   a) Approved, following the recommendation referred to in C.(ii), and bearing in mind their performance in the period during which the public investment existed (second half of 2012, 2013 and first half of 2014), the payment to the members of the Board of Directors and to the members of the Supervisory Board who were in office throughout that period of the amounts corresponding to the decrease in their fixed remuneration, in force in that period and resulting from the limitations stemming from the recapitalisation operation;
   b) approved, following the recommendation referred to in C.(i), and bearing in mind the NARC's opinion, the payment to the Executive Committee members who were in office in 2012 of the amount of the variable remuneration due to them with reference to the 2012 financial year had the limitation arising from the recapitalisation operation not been in force, in the overall amount corresponding to 1% of the consolidated net profit for 2012.

Accordingly and a result of the aforementioned resolution, in addition to the regular fixed salary amounts and attendance allowances paid in 2014 the amounts detailed in the table below were also paid in 2014 to the members of the Board of Directors and of the Executive Committee:

Amounts in euros

Board of Directors	Fixed remuneration[1]	Variable remuneration[2]	Attendance allowances[1]
Artur Santos Silva	117 000	n/a	33 300
Fernando Ulrich	91 725	457 382	n/a
António Domingues	84 081	419 267[3]	n/a
António Farinha Morais[4]	61 608	322 940	n/a
Alfredo Rezende	45 500	n/a	35 150
António Lobo Xavier	45 500	n/a	9 250
Armando Leite de Pinho	45 500	n/a	3 700
Carlos Moreira da Silva	45 500	n/a	5 550
Edgar Alves Ferreira	45 500	n/a	35 150
Ignacio Alvarez Rendueles	45 500	n/a	29 600
Isidro Fainé Casas	45 500	n/a	n/a
João Pedro Oliveira Costa[5]	5 646	n/a	n/a
José Pena do Amaral	64 763	322 940	n/a
Manuel Ferreira da Silva	64 763	322 940[3]	n/a
Maria Celeste Hagatong	64 763	322 940	n/a
Vicente Tardio Barutel	3 967	n/a	0
Klaus Dührkop[6]	43 167	n/a	1 850
Marcelino Armenter	45 500	n/a	38 850
Mário Leite da Silva	45 500	n/a	14 800
Pedro Barreto	64 763	322 940[3]	n/a
Tomaz Jervell	45 500	n/a	3 700

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

With the aforementioned exception of the director Manuel Ferreira da Silva in relation to which part – in the amount of € 233 444 – of the fixed remuneration referred to in item 77 has been paid by Banco Português de Investimento, S.A., no other member of the Executive Committee received any remuneration from any Group company other than Banco BPI.

79. Remuneration paid in the form of profit sharing and/or the payment of bonuses and the reasons why those bonuses and/or profit sharing were granted

As a result of the approval by the Remuneration Committee of the payment to the members of the Executive Committee who were in office in 2012 of the amount of the variable remuneration due to them with reference to that same year, as described in point 77 above, 50% of the amount thereof was, in terms of the Remuneration Policy in force and according to RVA Regulations, awarded in Banco BPI shares and/or options, the payment of which is in the meantime subject to the termination of the deferral period and to the ascertainment of the access condition to the deferred remuneration. The composition of the RVA Remuneration realised by the members of the Executive Committee and the respective award and exercise price were as follows:

Composition of Deferred RVA Remuneration

Executive Committee of the Board of Directors	BPI Shares[7]	Options over Banco BPI Shares[8]
Fernando Ulrich	0	708 023
António Domingues	0	649 021
António Farinha Morais	0	499 907
José Pena do Amaral	0	499 907
Manuel Ferreira da Silva	0	499 907
Maria Celeste Hagatong	57 627	249 954
Pedro Barreto	0	499 907

1) Figures referring to the 2nd half of 2012, 2013 and 1st half of 2014, paid in terms of the above-mentioned resolution.
2) Variable remuneration awarded in 2014 relating to performance in 2012, awarded in terms of the above-mentioned resolution.
3) In terms of the Remuneration Policy, the amount of the remuneration earned for the exercise of functions at other companies is deducted from the amount of the variable remuneration. The above-mentioned amount thus includes the amounts earned for the exercise of functions at other companies.
4) Ceased functions as member of the Board of Directors and as member of its Executive Committee on 23 April 2014.
5) Elected on 23 April 2014.
6) Ceased functions as member of the Board of Directors on 23 April 2014.
7) Award value of € 1.401.
8) Award value of € 0.325 option exercise price of € 1.401. The options may be exercised after the expiry of the 3-year deferral period commencing on the date – 3 September 2014 – of the Remuneration Committee resolution providing that the Access Condition to the Deferred Remuneration has been fulfilled, as laid down in the Remuneration Policy and RVA regulations.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

There was no payment in 2014 arising from early termination of employment contracts.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28 / 2009 of 19 June

In 2014, the aggregate remuneration of the members of the Supervisory Board, amounted to 235 050 euro. The gross amounts earned individually are as follows:

Remuneration of the Supervisory Board — Amounts in euros

Supervisory Board	Fixed Remuneration	
	Regular	Restitution[1]
Abel Reis	69 465	14 454
Jorge Figueiredo Dias	60 114	12 508
Rui Guimarães[2]	42 297	1 090
José Neves Adelino[3]	22 774	12 348

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In 2014, the overall amount of remuneration for the exercise of the function of **Chairman of the General Meeting Committee** was 14 000 euro, paid in 14 instalments.

The members of the General Meeting Committee do not benefit for this fact from any retirement entitlement.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual limitations envisaged for the indemnity payable for the removal of a director without just cause and its relationship with the variable component of remuneration

On this subject, Article 403(5) of the Commercial Companies Code provides that: "If the dismissal is not founded on just cause, the director is entitled to an indemnity for the damages suffered, in the manner stipulated in the contract entered into with him / her, or in the general terms of the law, while such indemnity shall not exceed the amount of the remuneration he / she would presumably have received up till the end of the period for which he / she was elected."

There are no contractual limitations / conditions envisaged for the indemnity payable for a director's dismissal without just cause.

84. Agreements between the company and the members of the management board and managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company

There are no agreements between BPI and the members of management body or managers which make provision for indemnities in the case of removal, dismissal without just cause or cessation of the work relationship following a change in the control of the company, except those stemming from applicable general law.

VI. SHARE-ALLOCATION AND/OR STOCK OPTION PLANS

85. Details of the plan and the number of persons included therein

The BPI Group has since the beginning of 2001 a variable remuneration in shares programme (RVA programme) whose beneficiaries are the Group's Executive Directors and Employees, and which entails annually the granting of a part of the variable remuneration in the form of Banco BPI shares and options to buy Banco BPI shares.

The RVA scheme constitutes an important instrument for the management of the Group's human resources and reinforces the alignment of the Directors' and Employees' interests with the ultimate goal of Management and the Shareholders – the creation of value – given that the income earned by Directors and Employees alike becomes intrinsically associated with the appreciation of the BPI share on the stock exchange, while the relative importance of the RVA incentive scheme rises with the level of responsibility.

The RVA regulations embrace Banco BPI's Executive Committee, the Board of Directors of Banco Português de Investimento, as well as all the Group's Employees whose annual variable remuneration is equal to or more than 2 500 euro.

Indeed, the proportion of the RVA incentives in the variable remuneration of the members of the Executive Committee is 50%, and between 35% and 10% for the remaining Employees.

The proportion of the RVA incentives in the variable remuneration of the Chairman and Vice-Chairman of the Executive Committee is no smaller than 50%.

1) Reinstatement of the amounts referring to the 2nd half of 2012, 2013 and 1st half of 2014, as explained above in point 77.
2) Commenced functions on 23 April 2014.
3) Ceased functions on 23 April 2014.

86. Characterisation of the share and options incentive plan

In the notes to the financial statements "4.49. Variable remuneration in shares programme (RVA)" of the present Report and Accounts (page 223), to which the reader is referred, a detailed description of the RVA Programme is presented and which includes, namely, the award conditions, the clauses barring the disposal of sales, the criteria relating to the prices of shares and the exercise price of options, the period during which the options can be exercised, the characteristics of the shares or options to be awarded, the existence of incentives for the acquisition of shares and/or the exercise of options).

Credit line for the exercise of options

At the start of 2004, a credit line for the Bank's Employees and Executive Directors who wish to exercise the RVA options was made available.

As regards the use of the credit line by members of the Executive Committee, the Supervisory Board has given its approval, at the same time as the Bank of Portugal as well as the Remunerations Committee were informed.

According to the conditions in force at 31 December 2011, this credit line provided at the moment of utilisation an amount with a minimum limit of 2 500 euro and up to 75% of the market value of the shares to be purchased as a consequence of the exercise of the respective options, with a maximum amount of 100% of the amount needed to exercise the options.

The original conditions of the loans in question were as follows:

- **Period** – 4 years (extendable for a similar period).
- **Repayment** – At the end of the period, with the possibility of making partial or total early repayments without penalties.
- **Interest** – The outstanding principal earns interest at the 12-month Euribor plus 0.75 percentage points (or of 1.5 percentage points from the moment of the extension).

On 25 July 2011 the Board of Directors, without the participation of the Executive Committee members, approved the following alterations to the conditions of the aforementioned loans applicable to the Executive Directors and to Employees:

1. The term of the loans can, at the request of the borrowers, be extended so that their maturity date becomes 31 May 2020;
2. The loan interest rate becomes the rate corresponding to the 6-month Euribor ruling at the antepenultimate working day prior to the commencement of each period for the accrual of interest; this rate is applicable to the interest period in progress at the date of approval of these measures, as well as to the ensuing interest periods;
3. At the request of borrowers, the interest whose maturity date is situated in a year in which Banco BPI does not distribute dividends can be capitalised;
4. The obligation to reinforce guarantees is suspended until 31 December 2015;
5. All the other credit line conditions remain in force, namely those relating to when an Employee or an Executive Director cease to be employed by the Bank (in this case, provided not substituted by a work relationship with Banco BPI or a BPI Group company, namely:
   a) The rule in this situation is that the loan matures, save where the Bank informs the borrower that it agrees to maintain the loan, in which case the consequences as regards the rate of interest envisaged in the Regulations shall apply;
   b) However, if this situation is due to retirement, such maturity shall not apply, with the term of the loan and the other conditions in effect at the retirement date remaining in force without any modification;
6. In the event of the Employee's or the Executive Director's death, all the conditions attaching to the respective loan which are in force on that date shall continue to apply;

7. For Employees who are interested, the following operation is made possible:
   a) Pledge in lieu of the shares blocked, at their market value (closing price on the date before the pledge) and decrease in the outstanding loan by this amount, providing that:
      i. compliance with the rules laid down in the General Meeting authorisation in force for the acquisition of treasury shares;
      ii. guarantees are given which the Bank considers to the adequate for the balance of the remaining debt.
   b) Application to the amount of the remaining debt of the conditions 1 to 6.

The share incentive and options scheme in force at BPI – known as the RVA Programme – is regulated by the provisions set out in the scheme, as well as by the provisions appearing in its Regulations, known as the Regulations for the Variable Remuneration in Shares Programme – RVA.

Approval by the General Meeting of Shareholders of the RVA program and its Rules

The general lines of the RVA were approved by the General Board (governing body which existed until 1999) which, in terms of the law then in force, was necessarily composed of Shareholders).

At the GM of 21 April 1999, the Chairman of the Board of Directors placed for the Shareholders' consideration a proposal to authorise the acquisition and disposal of treasury shares by the Company, which acquisitions and disposals were destined, amongst other purposes, to make possible the execution of the aforesaid incentive scheme. This proposal is renewed every year for the same purpose.

In addition, at the General Meeting of 20 April 2005 the Chairman of the Board of Directors presented to the Shareholders the objectives, characteristics, composition and extent of the share incentive scheme (RVA) adopted by Banco BPI, having disclosed the figures relating to the application of the RVA scheme.

At the General Meeting held on 27 April 2011, a proposal was submitted to the Shareholders to amend the RVA scheme regulations, which proposal was approved by 99.4% of the votes cast, with the complete text of the aforesaid regulation having been made available at that time.

The maintenance in force of the aforesaid Regulations was the object of confirmation by the Shareholders at the General Meeting of 24 April 2013.

87. Option rights awarded for the acquisition of shares ('stock options'), the beneficiaries of which are the company's Workers and Employees

At 31 December 2014 BPI Employees were the holders of 7 525 714 options over BPI shares, as shown in the table below:

RVA Programme	No. of options held by Employees	Exercise price	Exercise limit date
RVA 2009	1 634 477	1.722€	11 Mar. 2015
RVA 2010	768 507	1.108€	29 Apr. 2016
RVA 2011	405 838	0.358€	28 May 2017
RVA 2012	1 713 278	0.866€	19 Dec. 2017
RVA 2013	3 003 614	1.806€	14 May 2019

88. Control mechanisms envisaged in an eventual system of Employee participation in the share capital to the extent that the voting rights are not exercised directly by those Employees (art. 245-A(1)(e))

Neither the RVA Programme nor its Regulations contemplate any control mechanisms for the situation in which voting rights are not exercised directly by the Employees to whom BPI shares have been awarded in execution of those rights.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company for purposes of controlling related party transactions (dealings)

The entering into business operations between the company and shareholders owning qualified holdings, or with entities with which they have any relationship in terms of article 20 of the Securities Code, is always submitted beforehand to the Supervisory Board of its opinion, irrespective of the amount involved.

The Bank keeps in its centralised IT applications:

- an updated list of the entities falling under the concept of "related party";
- information regarding exposure by Customer (which serves as the basis for the calculation of weighted assets for capital ratio purposes);
- integrated Customer positions.

Moreover, the operations and relevant relationships in the related-party transactions domain are defined.

The Accounting, Planning and Statistics Division (Portuguese initials – DCPE) gathers and prepares information detailing Banco BPI's exposures to the counterparties identified in the preceding point.

The DCPE, the company Secretary and the Investor Relations Division become globally involved in the abovementioned process.

90. Indication of the transactions which were subject to control in the year under review

During 2014 the Supervisory Board was, in terms of article 109(3) of the RGICSF, called upon to issue five prior opinions relating to operations with or the revision of exposure limits under normal market conditions of shareholders with qualified holdings.

The Supervisory Board issued thirty four prior opinions in the terms envisaged in article 85(8) of the General Regime for Credit Institutions and Financial Companies covering operations with or the revision of credit limits to entities in which the members of the Bank's management or oversight bodies were managers or owned qualified holdings.

There were no business dealings or operations in 2014 between Banco BPI on the one hand, and the members of its Board of Directors, its Supervisory Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

91. Procedures and criteria applicable to the supervisory board's involvement – business dealings with shareholders owning a qualified holding

Any transaction of business between the company and shareholders owning a qualified holding, or with entities with which they have any relationship in terms of article 20 of the SC, is always preceded by the Supervisory Board's opinion, irrespective of the amount thereof, and such business transaction must always be carried out under normal market conditions.

The Supervisory Board's opinion is issued on the basis of detailed information presented for the appraisal of the operations by the Credit Risk Committees and by the Executive Committee, as well as also being backed up by the information sent to the Board of Directors after appraisal by those bodies.

II. DEATAILS RELATING TO BUSINESS DEALINGS

92. Annual report and accounts documents containing information about related party business dealings

According to IAS 24, related parties are defined as those over which Banco BPI exercises, directly or indirectly, a significant influence on their management and financial policy – associated and jointly-controlled companies and Pension Funds – and the entities which exercise a significant influence over the Bank's management – Shareholders and members of Banco BPI's Board of Directors.

The overall amounts of assets, liabilities, earnings and off-balance sheet liabilities relating to operations with related parties are presented in the notes to the financial statements 4.52. Related parties, of the present Report and Accounts (page 259).

Part II – Corporate Governance assessment

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

For purposes of the present report and the review of compliance – recommendation by recommendation – which follows, BPI used as the benchmark the Corporate Governance Code disclosed by the CMVM in July 2013, reserving for the 2014 financial year a review and the consequent decision concerning the possible adoption of a Governance Code other than the one published by the CMVM.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Declaration in terms of article 245(1)(O) of the SC on the adoption of the corporate governance code which BPI is voluntarily subject to, non-conformity with the recommendations contained therein and the reasons for that deviation.

BPI complies with a significant number of recommendations contained in the CMVM's Corporate Governance Code, ("CMVM Recommendation") – the appraisal of which appears in the present report.

The following table lists the recommendations appearing in the Corporate Governance Code issued by the Portuguese Securities Market Commission (CMVM) in 2013, indicating which ones were adopted by BPI and which were not. Similarly, mention is made of the points of the report where reference is made to the topics under review.

		Adoption	References in the Governance Report[1] Point (page no.)
I.	**VOTING AND CORPORATE CONTROL**		
I.1.	Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Point 12 (p. 293)
I.2.	Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Yes	Point 14 and Part II,2 (explanation) (p. 294 and 337)
I.3.	Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Yes	Point 13 and Part II,2 (explanation) (p. 293 and 337)
I.4.	The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	No	Point 13 and Part II,2 (reasons of divergence) (p. 293 and 337)
I.5.	Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Yes	Points 4, 83, 84 (p. 287 and 233)
II.	**SUPERVISION, MANAGEMENT AND OVERSIGHT**		
II.1.	**Supervision and management**		
II.1.1.	Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Yes	Point 21 (p. 296)
II.1.2.	The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Yes	Point 21 (p. 296)

1) Except when mentioned otherwise.

		Adoption	References in the Governance Report[1] Point (page no.)
II.1.3.	The General and Supervisory Board, besides carrying out the oversight duties entrusted to them, must assume full responsibility as regards corporate governance with the result that by way of statutory provision or equivalent means, this body must obligatorily be bound to make pronouncements about the company's strategy and principal policies, the definition of the group's business structure and the decisions that must be regarded as being strategic due to the amount or risk thereof. This body should also evaluate the compliance with the strategic plan and the execution of the company's principal policies.	Not applicable[2]	Not applicable
II.1.4.	Except for small-sized companies, the Board of Directors shall create the necessary committees in order to:		
	a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;	Yes	Points 15, 21, 24, 25, 27, 29, 66, 67 and 68 (p. 294, 296, 300, 301, 303 and 319)
	b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Yes	Points 15, 21, 27 and 29 (p. 294, 296, 301, and 303)
II.1.5.	The Board of Directors should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Yes	Point 50 (p. 314)
II.1.6.	The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Yes	Point 17 (p. 294)
II.1.7.	Amongst the non-executive directors there must be an adequate proportion of independent persons taking into account the governance model adopted, the size of the company and its shareholder structure and the respective free float.	Yes	Point 18 (p. 295)
II.1.8.	When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Yes	Point 28 (p. 301)
II.1.9.	The Chairman of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors and the Chairman of the Supervisory Board, the convening notices and minutes of the relevant meetings.	Yes	Point 28 (p. 301)
II.1.10.	If the Chairman of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Not applicable because the condition does not exist	
II.2.	**SUPERVISION**		
II.2.1.	The Chairman of the Supervisory Board shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Yes	Point 32 (p. 310)
II.2.2.	The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Points 37 and 45 (p. 311 and 313)
II.2.3.	The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Yes	Point 37 (p. 311)
II.2.4.	The Supervisory Board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Yes	Point 38 (p. 311)

1) Except when mentioned otherwise.
2) Not applicable because it relates to a non-existent body in the governance model adopted by BPI.

		Adoption	References in the Governance Report[1] Point (page no.)
II.2.5.	The Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Yes	Point 38 (p. 311)
II.3.	**Remuneration setting**		
II.3.1.	All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	Points 67 and 68 (p. 319)
II.3.2.	Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Yes	Points 67 and 68 (p. 319)
II.3.3.	A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28 / 2009 of 19 June, shall also contain the following:		
	a) identification and details of the criteria for determining the remuneration paid to the members of the governing bodies;	Yes	Point 69 (p. 319)
	b) information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;	Yes	Point 69 and Part II, explanation (p. 319 and 337)
	c) [d) in the Code's original wording] information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Yes	Point 69 (p. 319)
II.3.4.	Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Yes	Point 86 (p. 334)
II.3.5.	Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Yes	Point 76 (p. 328)
III.	**REMUNERATION**		
III.1.	The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Yes	Point 69 (p. 319)
III.2.	The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Yes	Point 69 (p. 319)
III.3.	The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Yes	Point 69 (p. 319)
III.4.	A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Yes	Point 69 (p. 319)
III.5.	Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Yes	Point 69 (p. 319)

1) Except when mentioned otherwise.

		Adoption	References in the Governance Report[1] Point (page no.)
III.6.	Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Yes	Point 69 (p. 319)
III.7.	When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Yes	Point 69 (p. 319)
III.8.	When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Yes	Point 83 (p. 333)
IV.	**AUDITING**		
IV.1.	The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Yes	Parte II, Point 3.5 (p. 339)
IV.2.	The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services – which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – said should not exceed more than 30% of the total value of services rendered to the company.	Yes	Point 37 (p. 311)
IV.3.	Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Yes	Point 44 (p. 312)
V.	**CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS**		
V.1.	The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Yes	Point 89 (p. 336)
V.2.	The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings – or entities with which they are in any of the relationships described in article 20 / 1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Yes	Points 90, 91, 92 (p. 336)
VI.	**INFORMATION**		
VI.1.	Companies shall provide, via their web sites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Yes	Point 59 to 65 (p. 338)
VI.2.	Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Yes	Point 56 (p. 337)

1) Except when mentioned otherwise.

Additionally BPI considers that, as regards the CMVM Recommendations I.2, I.3 and II.3.3, it has materially complied with the meaning of the recommendation under consideration, in terms of the following explanations:

Recom.	Explanation
I.2	Recommendation adopted. In effect, according to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a shareholder and entities related to him / her), to number one of article thirty one (provision which fixes a special qualified majority for the company's winding up), as well to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast). It will be recalled in this regard and in the first place, that the aforesaid rule laid down in the Commercial Companies Code is mandatory only as regards the minimum limit. That is, companies are free to set in their statutes higher qualified majorities. In second place, Banco BPI is of the opinion that there exists justification for the alteration to the statutory rules in question to be subject to a more demanding qualified majority than the qualified majority envisaged in the law. This justification stems from the conjugation of the following two aspects: ▪ the statutory rules in question (remember, rules governing the limitation on voting and the company's winding up) refer and represent options relating to highly important aspects relating to the company's affairs; in the first case, with a solution which as explained in relation to the recommendation I.6.2., it seeks to promote a balanced participation of the shareholders in the company's affairs; in the second case, what is at stake is the company's own subsistence; ▪ in the case of statutory rules which take the form of very important options for the company's affairs, their alteration should only take place when there is an unequivocal and large majority will in this regard; it is deemed for this purpose that it is appropriate to set the aforementioned seventy five per cent majority of the votes cast. Finally, it will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital. Accordingly, the solution previously described is considered to be appropriate in light of the principles of good corporate governance. Indeed, taking into account: ▪ the limitation to a very limited number of matters (two matters) of the scope of the application of the higher qualified majority than that provided for in the law; ▪ the reasons underlying this requirement, based on the company's interests and that major changes in options affecting the company's affairs only occur when there exists an unequivocal and substantial majority desire in this regard; and ▪ the actual special qualified majority required which, despite being greater than the legal one, is confined to within the limits considered reasonable and is, as already mentioned, defined according to the votes cast and not the votes corresponding to the share capital. It is believed that the solution in question does not constitute a mechanism that impedes in an unjustified and/or unreasonable manner the adoption of resolutions by the shareholders, with the result that the meaning of the recommendation concerned is deemed to be materially fulfilled.
I.3	Recommendation adopted. Article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single shareholder or entities related to him / her in the terms laid down by this provision which exceed 20% of the total votes corresponding to the share capital, shall not be counted. The change to this statutory provision requires the approval of seventy five per cent of the votes cast in General Meeting (GM). The principal limiting the number of votes cast by a sole shareholder was proposed by the General Board with the object of promoting a framework conducive to a balanced participation of the principal shareholders in the company's affairs, from the standpoint of Shareholders' long-term interests. In its initial formulation, which was approved by the Shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, a limit was set of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to 17.5%, by way of a resolution approved by a majority of 77.4% of the votes cast and was finally increased to the current 20% by unanimous voting at the GM of 22 April 2009.

Recom.	Explanation
	Since it is in the shareholders' unequivocal long-term interest that there should exist a framework enabling their balanced participation in the company's affairs and as the solution under review represents the most suitable means for this purpose, the condition appearing in the final part of this recommendation that excepts that which is recommended, namely the non-existence of divergences between the right to dividends and the right to vote precisely the "duly substantiated in accordance with the shareholders' long-term interests" mechanisms, is considered to be fulfilled.[1]
II.3.3	Recommendation adopted. As regards recommendation II.3.3. b) it is worth pointing out that the remuneration policy approved at Banco BPI's General Meeting does not specify the potential individual maximum amount to be paid to the members of the governing bodies. However: 1. This remuneration policy: a) defines the overall amount of the remuneration of the members of the Board of Directors; and b) with respect to the variable remuneration, it defines the criteria to be used by the Remuneration Committee for determining the overall amount to be awarded each year to the Executive Committee members and the amounted to be awarded to each member of that body; And 2. Every year a note is included in the governance report disclosing the individual amounts paid to the members of the governing bodies in the year covered by the report. This information not only allows shareholders to know exactly the remuneration of each member of the governing bodies and, where applicable, to comment in this respect, but also enables them, combining this information with the overall limits set out in the remuneration policy, to at the very least estimate what this remuneration will be in the following year. Hence, the objectives of the recommendation are considered to be met, namely: a. Minimum projection, within reasonable parameters, as to what the potential maximum remuneration is for each member of the governing bodies; b. Existence of information about the actual remuneration of each member of the governing bodies and the possibility of the shareholders commenting thereon if they so wish; c. Transparency as regards the individual remuneration policy for each member of the governing bodies.

Thus, BPI considers that it adopts the CMVM's recommendations, with the exception of Recommendation No. I.4 which is not adopted for the reasons identified below:

Recom.	Explanation
I.4	Recommendation not adopted. Banco BPI's statutes do not incorporate the measures defined in the Recommendation in question as regards the maintenance of those limits mentioned with respect to recommendation I.3 being the object of periodic reappraisal in General Meeting, which is explained by: ▪ on the one hand, it is always possible for Shareholders who wish to alter or suppress the aforesaid statutory rule to propose at any moment and after observing the requisites for this purpose envisaged in the law, to submit to the General Meeting a proposal advocating such alteration or suppression; ▪ on the other hand, and as already partly explained as regards Recommendation I.4., because it is considered to be a rule which constitutes a very important option in the company's affairs, its modification should only take place when there is a will that (i) is unequivocal and backed by a large majority in this regard and (ii) results from a balanced participation of the various shareholders, desirous that these are not considered attainable if it is accepted that this modification may be approved by resolution passed by a simple majority and without the voting limit functioning.

1) The Board of Directors records in this respect that on 17 February 2015 its shareholder CaixaBank, S.A. disclosed the preliminary announcement of a takeover bid for Banco BPI shares, which places as a condition for the bid's realisation is the elimination of the limitation on the counting of votes concerned. The members of the Board of Directors who have management positions in the CaixaBank, S.A. group have argued in favor of the revision of the aforementioned limitation since 2011.

3. OTHER INFORMATION

3.1. Bank of Portugal regulations governing remuneration policies

Up till the entry into force on 24 November 2014 of Decree-Law 157 / 2014 of 24 October, the regulations relating to remuneration policies are contained in law 28 / 2009 of 16 June, in Decree-Law 104 / 2007 of 3 April and in Bank of Portugal Notice 10 / 2011.

The regulation contained in the last-mentioned addresses three major areas:

a) principles and rules governing the approval and evaluation of remuneration policy;
b) principles and rules governing the structure and composition of remuneration policy;
c) principles and rules governing the disclosure of information relating to this topic, whether it be about policy or the remuneration paid in terms thereof.

3.1.1 Principles and rules governing the approval and evaluation of remuneration policy

As regards the first of the aforementioned areas, the Bank believes that it complies with the vast majority of the rules envisaged dealing with the matters included therein, namely those embodied in articles 5, 7 and 14 of Notice 10 / 2011.

In this respect, it is important to underline:

- that the remuneration policy of the members of the governing bodies is the object of approval, in general terms, by the General Meeting (pursuant to the provisions of Law 28 / 2009, of 19 June) and subsequently formalised by the Remuneration Committee elected by the same body through the concrete definition of the fixed remuneration and the amount of the attendance allowances to be paid to the members of the Board of Directors and, in the case where they are members of the Executive Committee, determining, based on the respective performance evaluation, the amount of the respective variable remuneration;
- that the remuneration policy relating to the Employees is the object of approval by the Board of Directors.

It should also be highlighted that the Bank has, in compliance with the relevant statutory requirements, a Board of Directors Committee responsible for remuneration matters (the CNAR – the Nominations, Evaluation and Remuneration Committee), which adheres to the terms set out in article 7 of Notice 10 / 2011. This Committee, which is consultative in nature and lends support to the Board of Directors, performs, amongst others, the functions contemplated in article 7(4) of Notice 10 / 2011. Since 2 February 2012, and for compliance with no. 2 of the same article, this Committee is composed of a majority of the Board of Directors classified as being independent in light of the criterion set out in no. 3 of the same article.

3.1.2 Principles and rules governing the structure and composition of remuneration policy

The Bank complied equally in 2014, in general terms, with the set of principles and rules governing the structure and composition of the remuneration policy, in particular as concerns the members of the management and oversight bodies, envisaged in chapters III and IV of Notice 10 / 2011.

With respect to the character and meaning of the aforesaid principles and rules, and without prejudice to what is referred to further on, it is considered to be important to bear in mind the reference to proportionality and adequacy stemming from the text of article 3(1) of Bank of Portugal Notice 10 / 2011. This text refers that "credit institutions must observe the following principles in a manner and to the extent appropriate to their size and internal organisation and to the nature, the scope and the complexity of their activities". The second of the aforementioned provisions state that "The Remuneration Policy must be appropriate and proportional to the size, internal organisation, nature, scope and magnitude of the risks assumed or to be assumed and to the degree of centralisation and delegation of the powers established at the institution". It follows from the text cited that we are dealing with prescribed principles and rules which must be adhered to by the institutions in a manner and fashion proportionate and appropriate to their characteristics and always bearing in mind the underlying values and objectives.

As has already been described in previous points of this Report, the Remuneration Policy pursued by the Bank is designed taking into account and with a view to ensuring (i) an alignment of interests between the Bank's management, shareholders and other stakeholders and (ii) the compatibility with the maintenance of its own funds at adequate levels that comply with applicable ratios and (iii) the sound assumption and management of risks. To this end, the policy under review includes the projection that the remuneration of the executive members of the Board of Directors and of the Employees will comprise a fixed and a variable part, appropriate rules as regards the relevant elements in determining the remuneration to be paid (in particular the variable remuneration) and the limits to that remuneration, namely according to the Bank's results. As regards the executive directors, rules are also envisaged relating to conditionality and the deferral of 50% of the variable remuneration over three years.

The remuneration policy outlined in the preceding paragraph corresponds to that which was approved in the General Meeting of 23 April 2014 for the period corresponding to the term of office of the governing bodies which commenced then (2014 / 2016) and is described in part D of this report.

Decree-Law no. 157 / 2014 of 24 October came into force on 24 November 2014 and transposed Directive no. 36 / 2013 / EU (commonly known as CRD IV) and amended the General Regime for Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) namely as regards the matter of remuneration policy.

Amongst the modifications introduced in the RGICSF is the introduction therein of a set of provisions dealing with the matter of the remuneration policy for the members of the management and oversight bodies.

Despite a significant part of the aforementioned provisions relating to the question of remuneration policy introduced into the RGICSF being aligned with the regime that is already in force (the regime contemplated in Decree-law no. 104 / 2007 of 3 April and in Law no. 28 / 2009 of 19 June), some of them contain innovative aspects.

The main novelties introduced are highlighted as follows:

a) Provision that the total variable component of remuneration must become subject to the mechanisms of reduction («malus») and reversion («clawback»), with the credit institution being obliged to define specific criteria for their application, ensuring that they are, in particular, considering the situations in which the Employee:

   i) Participated or was responsible for an action which resulted in significant losses for the credit institution;

   ii) Ceased to comply with the criteria of suitability and integrity.

b) The variable component of remuneration cannot exceed the amount of the fixed component of remuneration, with credit institutions being able to approve a higher maximum level for the variable component of total remuneration, provided that the variable component of remuneration does not exceed twice the amount of each Employee's fixed remuneration.

The Bank, by means of the proposal to be presented for this purpose by the Remuneration Committee, intends to present to the Shareholders' Annual General Meeting to be held on 29 April 2015 the adjustments it deems necessary to introduce into the Remuneration Policy previously approved, so as to comply fully with the requirements of applicable legislation.

3.1.3 Principles and rules for the disclosure of information relating to this topic, whether about policy or about the remuneration to be paid in terms thereof (see Articles 16 and 17 of Bank of Portugal Notice 10 / 2011)

The Bank complies with this aspect by means of the present Corporate Governance Report, the notes to the financial statements and the comprehensive information contained therein concerning the remuneration policy pursued.

3.2. Policies relating to the remuneration of other members of the group's senior management

Remuneration policy

In compliance with the provisions of the CMVM's Regulations, the General Meeting of 27 April 2011 approved, and the General Meeting of 31 May 2012 deliberated to retain in force, the Remuneration Policy for the group of Employees referred to in that document as Senior Managers, which group corresponds to Employees classified as "managers" for purposes of the provisions of article 248-B of the Securities Code, and to the first and second line Employees at the divisions where they perform control functions.

Managers are not, by virtue of that fact, the object of a remuneration policy different from the one which is applicable to Banco BPI's other Employees.

Consequently, the remuneration policy covering the Managers is that which is applied to the majority of Banco BPI's Employees and is based on the existence of a remuneration made up of two components; a fixed and a variable component.

The fixing of the variable portion to be awarded to Banco BPI Employees and, therefore, to its management, takes into account a number of factors, amongst which – for those working in Portugal – the consolidated net profit before tax generated by Banco BPI's domestic operations.

As a rule, the abovementioned variable component is broken down into a part payable in cash and another payable in Banco BPI shares and share options, awarded within the framework of the share incentive scheme (Portuguese nomenclature Programa RVA), described in the BPI Group's Corporate Governance Report. The weight of this portion in shares and share options on the total variable component varies, according to the manager's responsibility, between a minimum of 10% and a maximum of 35%.

In exceptional circumstances – as happened with the variable remuneration relating to 2006 and paid in 2007 in which there was no application of the RVA, as a consequence of which the amounts of the variable remuneration was paid totally in cash for reasons linked to the pending takeover bid for Banco BPI shares, or with the variable remuneration relating to the years from 2007 to 2012 and paid from 2008 to 2012, given the exceptional circumstances that the financial markets were experiencing – the RVA component of variable remuneration incorporated an additional option, foreseeing the possibility of its payment in cash.

The definition of the remuneration to be paid in each year to each Manager results from:

- as regards the fixed portion, that envisaged in the existing employment contract with each one of the Managers;
- as regards the variable component, the decision of the Board of Directors' Executive Committee, excluding the Managers who are members of Banco Português de Investimento's Board of Directors, in which the final decision is taken by the Board of Directors, in both cases taking into consideration their level of responsibility and the result of the respective evaluation process.

The remuneration policy lines described in the preceding points are aimed at, amongst other objectives, contributing to the alignment of Employees' interests and, therefore, of senior management, with the company's interests and discouraging the excessive assumption of risks; this contribution results from, amongst other aspects:

- the relationship established, under the mentioned terms, between the amount of the variable remuneration and the Bank's pre-tax results from the domestic activity;
- the fact that a portion of this remuneration may be composed of Banco BPI shares / options to buy such shares awarded within the framework of the RVA share incentive scheme;
- the fact that the free disposal of the shares awarded under the RVA scheme may be deferred over 3 years.

3.3. Principal features of the retirement benefits system for Banco BPI managers

The following are the principal features of the retirement benefits system applicable to Banco BPI Managers:

a) As set out in point b) below, the retirement benefits applicable to Managers are defined and correspond to the benefit deriving from the pension plan contemplated in the Collective Labour Agreements for the banking sector entered into with the following banking sector trade unions – "Sindicatos do Norte, do Centro e do Sul e Ilhas", on the one hand, and with the "Sindicato Nacional dos Quadros e Técnicos Bancários" and the "Sindicato Independent da Banca", on the other.

b) With respect to the benefits referred to above:

i. Managers are not entitled, for this fact and in their capacity as such, to retirement benefits, except for those who are Directors of Banco Português de Investimento, S.A. but who are not members of the Executive Committee of Banco BPI, S.A., who, in such capacity and in addition to the regime applicable to the majority of Banco BPI's Employees, benefit, cumulatively and whilst they hold office, from a supplementary defined-contribution pension scheme, with a monthly contribution corresponding to 12.5% of the € 2 500 additional remuneration they earn for serving as directors;

ii. Without prejudice to the content of a), Employees of Banco BPI and, therefore, the senior personnel, benefit from a retirement pension plan envisaged in the ACT for the banking sector or, in certain cases of Employees originating from companies covered by the general social security regime and subsequently enrolled at the CAFEB, and to the extent that it is more favourable, stemming from the rules of the social security general regime, from a plan whose funding is guaranteed by a pension fund. These benefits are identical to those that the majority of Banco BPI Employees enjoy under the same circumstances.

The pension plan for the Members of Banco Português de Investimento's Board of Directors referred to above provides that each Director can choose what portion of the contribution borne by the Bank to allocate to the funding of a pension (deferred benefit) or to a life assurance policy (immediate benefit).

The conditions of access to the benefits envisaged in the aforementioned pension plan are those which are legally prescribed for retirement-savings plans (Portuguese initials – PPR): retirement due to age limit or infirmity; death; serious illness or long-term unemployment.

3.4. Employees' remuneration and other benefits

The information provided in this section has as it object complying with the requirements of Bank of Portugal Notice 10 / 2011, in which refers to the universe of Employees who meet certain of the following criteria which correspond to those set out in article 1(2)(a) to (c) of the aforesaid Notice:

a) perform functions with responsibility for the assumption of risks on behalf of the institution or its customers, with a material impact on the institution's risk profile, which includes Employees who have regular access to privileged information and participate in decisions on the institution's management and business strategy;
c) perform the control functions contemplated in Bank of Portugal Notice 5 / 2008 (compliance, audit and risk control).

In applying the above-mentioned criteria and solely for the limitation of the Employees to which the information to be provided pursuant to article 17 of Notice 10 / 2011 refers, the universe of Employees considered corresponds to the Remuneration Policy for senior managers mentioned in 3.2., namely:

- Employees categorised as "managers" for purposes of the provisions of article 248-B of the Securities Code;
- Employees who occupy first and second tier positions at divisions which perform control functions.

In 2014, the universe defined above encompassed 24 Employees.

In 2014, the remuneration of the universe described above, in aggregate terms, amounted to 1 430 th.€, split between fixed remuneration of 1 426 th.€ and long-service bonuses of 4.6 th.€. Included in fixed remuneration is 73 thousand euro relating to seniority payments.

At 31 December 2014, the aggregate amount of pension rights (annual) acquired by the universe of Employees under review was 1 357 thousand euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned two groups was the following:

Amounts in euro

	Control functions	Other functions
Employees (no.)	12	12
Fixed remuneration	472 915	952 712
Long service premium	2 642	1 964
Total remuneration	**475 557**	**954 676**
Pension rights acquired	500 603	856 063

There is deferred remuneration (not paid) awarded to the above group of Employees, in the amount of 528 th.€.

There is no deferred remuneration due, paid or the object of reduction as a result of the adjustment introduced according to individual performance.

No new Employees were recruited in 2014 who fall within this universe.

No payments were made in 2014 for the early termination of employment contracts.

3.5. Involvement of the External Auditor

The external auditors should, within the scope of their duties, verify the application of remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and report any shortcomings to the company's supervisory body.

3.6. Share Incentive Scheme (RVA) Rules

Reviewed version containing the scheme (adopted at the General Meeting of 22 April 2010) to be applied to the component of variable remuneration of each member of the Executive Committee which represents 50% of the aggregate amount of the variable remuneration, and which is made up of shares and options for the acquisition of Banco BPI shares.

PART I
General Provisions

Article 1

(Definitions)

The following expressions used herein shall bear the meaning set opposite them, respectively:

- "Shares" – BPI ordinary shares;
- "BPI" – Banco BPI, S.A.;
- "Employees" – the members of the Companies' management bodies (as hereinafter defined) other than the members of the Executive Body (as hereinafter defined) acting as such, and the positions of individuals bound to BPI or to any of the Companies by a contract of employment, designated by the Executive Body every year;
- "Agreement" – the agreement entered into between BPI and any Employee for the allocation of Shares and Options as a result of the acceptance of the agreement proposal set out in Article 4 of the Rules;
- "BPI Group" – the group formed by the Companies;
- "Option" – the right granted to an Employee to purchase one BPI share;
- "Executive Body" – BPI's management executive body;
- "Exercise Price" – the amount to be paid by an Employee for the purchase of one Share on the exercise of an Option;
- "Rules" – these rules;
- "Companies" – BPI and any of the companies directly or indirectly controlled by it;
- "Maturity" – the date from which the Option may be exercised.

Article 2

(Awarding Shares and Options to Employees)

1. BPI may award Shares and Options to its Employees, as a variable remuneration, under the terms of these Rules.
2. The award shall be made by entering into an Agreement.

Article 3

(Criteria for awarding Shares and Options)

1. When establishing the maximum number of Shares and Options to be awarded each year by BPI, the Executive Body shall set the criteria presiding over their distribution to the Employees of each Company, as well as the conditions to which such allocation shall be subject, other than those listed herein.
2. The criteria to be established for the award of Shares and Options shall always include a merit discretionary rating for each Employee, determined by the management body of the Company where the Employee performs his / her duties.
3. It shall be the responsibility of the Executive Body to assess, on a discretionary basis, the merit of the members of the management body of the other Companies of the BPI Group, as well as of the Employees performing duties at BPI.

Article 4

(Procedures for awarding Shares and Options to Employees)

1. Shares and Options shall be granted by the Executive Body, after hearing the management body of each Company of the BPI Group.
2. The award of Shares and Options shall take the form of a proposed agreement addressed in writing by BPI to the Employee, which shall be deemed accepted should the Employee not expressly declare in writing that it is not his / her intention to accept it.
3. The proposed agreement shall include, among other information deemed necessary by the Executive Body, the following:
   a) the number of Shares and the number of Options awarded to the Employee;
   b) the conditions to which the award of Shares and Options is subject;
   c) the period within which Shares shall be freely available for the Employee;
   d) the Maturity of the Options, the Exercise Period and the Exercise Price;
   e) the date that shall be deemed, for any and all purposes, the date of award of Shares and Options object of the Agreement;
   f) the unavailability of Shares awarded, and which have been transferred subject to condition subsequent, and the establishment of their deposit, in which BPI shall be deemed interested under the terms and for the purposes of Article 1193 of the Civil Code. Such unavailability and deposit shall cease on and as of the date on which it is determined that conditions subsequent no longer take effect;
   g) a reference that the proposed agreement comprises and incorporates the terms of these Rules.
4. Each group of Shares, as well as of Options, awarded at the same date and, in respect of Options, with the same Maturity Date, shall form a Series.

Article 5

(Taxes, duties and fees)

1. BPI shall bear all transaction costs due by reason of the transfer of Shares made under the Agreement in favour of the Employee.
2. Each Employee shall bear all taxes and duties due by him / her as a result of any allocation and / or transfer of Shares

and Options in his / her favour, and authorise BPI, if BPI deems appropriate, to substitute him / her in the payment thereof, and thereby giving irrevocable instructions to the Banks of the BPI Group to pay to BPI, by debiting their deposit accounts, the amounts disbursed by BPI, upon submission of the relevant evidence.

Article 6
(Remuneration Committee's Intervention)

1. It shall be the responsibility of BPI's Remuneration Committee to perform, with respect to the members of the Executive Body, the duties attributed by these Rules to the Executive Body with respect to Employees in general.
2. Any agreement between BPI and the members of the Executive Body shall be entered into by the Chairman and one of the members of the Remuneration Committee, representing BPI, upon whom the required powers are conferred by these Rules.
3. Suspension to exercise Options, by decision of the Executive Body, shall automatically encompass Options held by its members, without prejudice to the Remuneration Committee being able to determine, at its discretion, such suspension, in compliance with the provisions of Article 11(3) hereof.
4. The Exercise Price to be established by the Executive Body for each Series of Options shall be communicated by the Executive Body to the Remuneration Committee and the Remuneration Committee shall not take a lower price in the resolution to be adopted for the allocation of Options of that Series to the members of the Executive Body.
5. The criteria for any adjustment to be made either to the Exercise Price or to the number of Options, under the terms of Article 14 hereof, shall be established, with respect to Options awarded to the members of the Executive Body, under such terms that shall not be more favourable for such Employees than those established by the Executive Body for Employees in general.

Article 7
(Construction and incorporation of the Rules; eligibility)

1. It shall be the sole responsibility of the Executive Body to construe these Rules, as well as to fill any hiatus therein.
2. The Executive Body may from time to time, at its sole discretion, anticipate terms precedent, accelerate the Maturity Date of the Options, not require the confirmation of conditions precedent, waive at conditions subsequent and declare that these latter can no longer take effect when and where, cumulatively, a) such terms and conditions affect the transfer of the Shares and the allocation of the Options or their exercise and b) such procedure accelerates or consolidates the transfer of those rights to Employees.

Article 8
(Arbitration Convention)

1. Any dispute arising from awarding Shares and Options to Employees, as well as from the application of these Rules, shall be finally submitted to arbitration.
2. BPI's statutory auditor at the commencement of the arbitration proceeding shall act as the sole arbitrator, and his / her decision shall be final, admitting no appeal.

PART II
Transfer of Shares

Article 9
(Transfer of Shares – General Rule – submission to condition subsequent)

1. The mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein.
2. The remaining Shares awarded shall be transferred to the Employee upon conclusion of the Agreement, but such transfer shall be cancelled, for the whole or part of such remaining Shares, under the Agreement, upon the occurrence of any of the following facts before the dates set out for that purpose in the Agreement:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds;
   b) termination, at BPI Group's initiative and on fair grounds, of employment or directorship of the Employee;
   c) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement.
3. If, on the date established in the agreement as the deadline for the confirmation of the conditions subsequent set forth in the foregoing paragraph, the Employee is the subject of an investigatory hearing or disciplinary proceeding with the intent to dismiss, such deadline shall be extended up to and including the date the decision on those proceedings is notified by the employer to that Employee.
4. For the purpose hereof, no termination of employment or directorship shall take place should any of the facts set out in sub-paragraphs above be followed, within a maximum of 90 days, by the establishment of a new relation of any of the aforesaid two types with one of the Companies.
5. In the event of a) Employee's death, b) Employee's retirement, or c) cessation of BPI's control over the Company where the Employee performs his / her duties, it shall be deemed that the condition subsequent of the transfer shall cease to take effect.

6. Shares transferred under condition subsequent shall be held in trust, pending on such condition, in the Employee's securities account with BPI, and BPI is interested in such deposit, under the terms and for the purposes of Article 1193 of the Civil Code.
7. Share dividends, the transfer of which being subject to condition subsequent, shall be deposited, on the date they are paid out, in the Employee's current account with BPI, without any restriction on their use or transaction, without prejudice to paragraph below.
8. Upon confirmation of condition subsequent:
   a) Shares deposited shall promptly revert to BPI, which may freely make any transaction on them;
   b) the Employee shall deliver to BPI an amount equivalent to dividends referred to in the foregoing paragraph 7; for that purpose, the Employee irrevocably instructs the Banks of the BPI Group to pay the said amount to BPI, by debiting their deposit accounts.
9. In case one or more share capital increases through incorporation of reserves occur in BPI, the transfer of Shares, to which the Employee is entitled as a result of his / her ownership of Shares in respect of which transfer is subject to condition subsequent, shall be subject to an equal condition.

Article 10

(Transfer of Shares – transfer situations under term and condition precedent)

1. Where justified in the light of the interests underlying the Incentive Scheme object of these Rules, the Executive Body shall award Shares under term and condition subsequent.
2. The following rules shall apply to the award of Shares carried out under the terms of the foregoing paragraph:
   a) the mere conclusion of the Agreement grants the Employee the ownership of a portion of the Shares awarded to him / her, in the number established therein;
   b) the remaining Shares awarded shall be transferred to the Employee on the dates and in the number specified in the Agreement, if before any of such dates none of the facts referred to in Article 9, paragraph 2 has occurred, and the provisions set forth in Article 9, paragraph 3 shall apply, as amended;
   c) in the event of any fact referred to in Article 9, paragraph 2, BPI shall return to the Employee the amount delivered by him / her under the terms of paragraph 3 (b) below;
   d) should any of the facts set out in Article 9, paragraph 5 occur, all Shares awarded, but with suspended transfer, shall be promptly transferred.
3. While term and condition subsequent are pending, the following rules shall apply:
   a) In case one or more share capital increases through incorporation of reserves in BPI occur, Shares awarded shall be accrued of Shares to which the Employee would be entitled if he / she were already a holder of the Shares awarded and not yet transferred on the date of such increase;
   b) in case of capital increase with right of preference for shareholders, the Employee shall be entitled to the Shares he / she would subscribe if he / she already were the holder of Shares awarded and not yet transferred provided that he / she delivers to BPI, during the subscription period, the cash consideration corresponding to the sum that he / she would have to pay to BPI as capital realisation;
   c) Shares awarded shall also be accrued of a number of Shares corresponding to the division of dividends and reserves distributed, which would be attributable to Shares awarded and not yet transferred, at the price per Share on the stock exchange at the close of business on the first day Shares are transacted ex dividend or reserves distributed;
   d) the provisions of the foregoing sub-paragraphs may also apply, as amended, when the Executive Body deems that a fact similar to those set out therein substantially reduce the Share value;
   e) Shares additionally awarded to Employees by virtue of adjustments set out in the foregoing sub-paragraphs shall be transferred to them together with those initially awarded and on a pro rata basis;
   f) in case of BPI's merger or split, the transfer of Shares subject to term and condition subsequent shall have as object the Shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any those operations.

PART III

Exercise of Options

Article 11

(Maturity, Expiry and Exercise of Options)

1. Options shall mature on the ninetieth day following the date they were granted and the Options shall expire five years having elapsed since the date they were granted.
2. The Options may be exercised at any time within the period comprised between their Maturity and their expiry dates, except for:
   a) the period between the commencement date and the expiry date of the Share subscription period in BPI's share capital increases;
   b) the existence of an investigatory hearing or disciplinary proceeding with the intent to dismiss action against the Employee, in respect of the period between and including the date proceedings are started and the date on which

the resolution taken in such proceedings is notified by the employer to the Employee.

3. Whenever deemed necessary to prevent insider trading, the Executive Body may suspend the exercise of the Options for periods not exceeding 30 days at a time.
4. The exercise of Options by each Employee shall be made upon written notice addressed to BPI, expressing his / her intention to buy Shares corresponding to the whole or part of the Options that have been awarded and are overdue.

Article 12
(Exercise Price)

1. The Exercise Price shall be set by the Executive Body and shall be identical for Options of the same Series.
2. The payment of the Exercise Price shall be made on the third business day following the exercise of the Options.

Article 13
(Option expiry)

1. The termination of employment or directorship of the Employee, at the initiative of the BPI Group and on fair grounds, shall automatically determine that all Options awarded and not exercised, of that Employee.
2. In case of:
   a) termination of employment or directorship of the Employee with the BPI Group at the initiative of the Employee, on unfair grounds; or
   b) termination, upon agreement between the parties, of employment or directorship without expressly safeguarding, in writing, the rights of the Employee under the Agreement;
      - the Options of that Employee, awarded and not yet matured, shall automatically lapse;
      - the Options of that Employee, awarded and already matured, shall lapse if not exercised within 30 days from the date of termination of employment or directorship.
3. In case of:
   a) Employee's death;
   b) Employee's retirement; or
   c) cessation of BPI's control over the Company where the Employee performs his / her duties, the Maturity of all Options awarded shall take place, their exercise shall be made within a maximum period of 2 years therefrom.
4. In case of BPI's merger or split, the object of the Options shall be made of the number of shares of the company resulting from the merger, or of the companies resulting from the split, in line with the exchange relation established for the purpose of any of those operations.

Article 14
(Adjustments)

1. The Exercise Price shall be adjusted in case of:
   a) any change in BPI's share capital, except in respect of share capital increases through new cash contributions, where shareholders have waived their pre-emptive right;
   b) an allocation of dividends and/or reserves to BPI shareholders, except when BPI's Board of Directors deems that the aforesaid operation has no significant effect on the value of the Shares;
   c) the Executive Body deems to have occurred a fact of a similar nature of the previous ones likely to reduce significantly BPI's share value.
2. In those cases set out in sub-paragraph a) of the foregoing paragraph, an adjustment shall be made to the number of Options awarded, together with an adjustment to their exercise price, pursuant to the criteria set out in paragraph below, as deemed necessary.
3. Any adjustment set out in the foregoing paragraphs shall be made, under the terms established by BPI's Executive Body or Board of Directors, so that the Employee's position is substantially maintained identical to that existing before the occurrence of the facts that have determined them.

PART IV
(Final Provisions)

Article 15
(Assignment of the contract position and Options)

1. The Employee's contract position in the Agreement is non-transferability *inter vivos*.
2. Options, though overdue, cannot be transferred by gift inter vivos but may be assigned upon death to heirs or assignees of the Employee holder thereof.
3. Notwithstanding the provisions of the foregoing paragraph and under exceptional circumstances in the best interests of the Company, BPI may buy Options, overdue or not, from its Employees.

Article 16
(No derogation from the Codes of Conduct)

The disposal of Shares awarded to Employees under the terms of the Agreement, as well as of Shares acquired by them upon exercising their Options, is subject to, besides the restrictions set out herein and in the Agreement, the rules of the Code of Conduct applicable to the Employee or to the member of BPI's management or supervisory bodies.

SPECIAL SECTION

(Rules to be applied to the component of variable remuneration of each member of the Executive Committee which represents 50% of the aggregate amount of the variable remuneration, and which is made up of shares and options for the acquisition of Banco BPI shares.)

1. **Access Condition to Deferred Remuneration:** Banco BPI's shareholders' equity, as per its consolidated accounts relating to the year immediately prior to that in which the Conclusion Date of the Deferral Period falls (Final Shareholders' Equity figure), should be more than Banco BPI's shareholders' equity figure as per its consolidated accounts relating to the Reference Year (Initial Shareholders' Equity figure);

For purposes of the above Condition, the following definitions shall apply:

- payment date: the date on which shares and/or options are awarded as the variable component of the variable remuneration of an Executive Director;
- conclusion Date of the Deferral Period the date which marks the end of 3 years after the Payment Date;
- payment year: the financial year in which the Payment Date falls;
- reference year: the financial year whose performance is remunerated by the variable component paid on the Payment Date, that is, the financial year prior to the Payment Year.

In ascertaining whether the Access Condition to Deferred Remuneration has been fulfilled, the Remuneration Committee must effect the necessary adjustments so as to make the Initial and Final Shareholders' Equity figures comparable, taking into account the objective underlying the setting of that condition: ensuring that the deferred remuneration only becomes freely disposable (but is freely disposable) provided that there is a positive trend in Banco BPI's consolidated shareholders' equity, arising from the BPI Group's business and the earnings generated by that business.

Within this framework, not only must the required adjustments be made to correct for any changes in accounting policies that occurred after the year of the Initial Shareholders' Equity, but also the adjustments needed to (i) correct for the effects of any cash-injection capital increases and (ii) assume the observance in the financial years relating to the Initial Shareholders' Equity and the Final Shareholders Equity, as well as in the intervening years, of Banco BPI's Long-Term Dividend Policy.

The Access Condition to Deferred Remuneration may be revised by the Remuneration Committee after having heard the NERC (not effecting however the awards already made).

1. Award of Shares

1.1 Where Shares awarding is at stake, they should be awarded "under term and condition precedent" set out in Article 10 of the Rules.

1.2 The term precedent corresponds to the Deferral Period.

1.3 Conditions precedent restrict the transfer of all Shares subject to the scheme set out in this special section and are the following:

- Completion Date of the Deferral Period, of any of the following events:
  1. Termination of the management relationship with the BPI Group at the initiative of the Executive Director, on fair grounds;
  2. Termination at the initiative of the BPI Group and on fair grounds of the management relationship with the Executive Director;
  3. Termination, by agreement between the parties, of the management relationship, without the rights of the Executive Directors to the shares awarded under condition having been expressly safeguarded in writing.
- The Condition for Access to Deferred Remuneration;

1.4 The provisions set out in paragraph 2.3 shall not affect the application of the rule embodied in article 10 (2) of the Regulations, in terms of which in the event of the Executive Director's death or retirement, all the shares whose award is suspended are immediately transferred.

2. Award of Options

2.1 Options awarding is subject, as a condition precedent, to the Condition for Access to Deferred Remuneration;

2.2 The Options shall mature on the Completion Date for the Deferral Period;

2.3 The Options shall expire three years having elapsed following from the Completion Date of the Deferral Period;

2.4 The provisions set forth in paragraph 3.2 above shall not affect the application of the rule stemming from Article 13 (3) of the Rules, according to which in the event of the Executive Director's death or retirement, all Options awarded mature immediately (they must be exercised within two years).

3. Limits on transactions of Shares and Options

The Shares and Options awarded under term and conditions precedent shall not be assigned, in general terms, to the Executive Director before confirmation of said term and conditions. Therefore, until such term or conditions are confirmed (whichever occurs later), the said shares and options are not registered in that Executive Director's name, nor is he / she entitled to freely dispose of them or encumber them.

4. Application of other terms of the Rules

Save for what is the object of the derogations envisaged in the foregoing paragraphs, the provisions of these Rules remain fully in force

Annex

EXPERIENCE, PROFESSIONAL QUALIFICATIONS AND OTHER MANAGEMENT AND OVERSIGHT POSITIONS HELD IN OTHER COMPANIES OR ENTITIES BY THE GOVERNING BODIES OF BANCO BPI, S.A.

SHAREHOLDERS GENERAL MEETING

Miguel Veiga (Chairman)

Date of birth	30 June 1936
Nationality	Portuguese
Date of first appointment	27 April 2011
End of current term	31 December 2016

Academic qualifications

1959: Honours Law degree

Management and supervisory positions at other companies

2007-...: Non-executive Director of Impresa, SGPS, S.A.
1993-...: Non-executive Director of Companhia de Seguros Tranquilidade

Other positions

Chairman of the General Meeting Committee:
- Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.
- Interposto Comercial e Industrial do Norte
- Fábrica de Chocolates Imperial (Grupo RAR)
- Aplicação Urbana II – Investimento Imobiliário, S.A.
- Atlantic SGFII, S.A.

Manuel Cavaleiro Brandão (Deputy-Chairman)

Date of birth	6 June 1946
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

Honours Law degree, Universidade de Coimbra
Attended post-graduate course in European Affairs, Universidade de Coimbra

Management and supervisory positions at other companies

Owner-Director of OFFIG – Administração e Gestão de Escritórios, Lda.
Director of Fundação de Serralves

Other positions

Chairman of the General Meeting Committee:
- Sonae SGPS, S.A.
- LEICA – Aparelhos Ópticos de Precisão, S.A.

Equity Partner de "PLMJ – A.M. Pereira, Sáragga Leal, Oliveira Martins, Júdice e Associados – Sociedade de Advogados, R.L."
Associate Founder of the "Associação Portuguesa de Arbitragem"
Member of the Arbitration Board of the Delegação Nacional Portuguesa da CCI – Chambre de Commerce Internationale
Arbitrator appointed by the Economic and Social Council
Member of the LCIA (London Court of International Arbitration) and of the Club Español del Arbitraje.

Previous professional experience

2006-2007: Member of the Labour Relations White Paper Commission (CLBRL)
2004-2006: Chairman (2006) and Deputy-Chairman (2004 and 2005) of the CCBE (Conselho das Ordens dos Advogados Europeias)
2004-2005: Member of the "Court of Arbitration" of the "ICC – International Chamber of Commerce" (Paris)
1992-2005: Member of the Arbitration Board of the Commercial Arbitration Centre of the Câmara de Comércio e Indústria Portuguesa and of the Câmaras de Comércio e Indústria de Lisboa e Porto
1990-1992 and 2002-2004: Member of the General Board of the Portuguese Law Society
1984-1989: Member of the Porto District Board of the Portuguese Law Society
1990-2011: Member (Advisor) of the European Economic and Social Committee

Maria Alexandra Magalhães

Date of birth	11 November 1967
Nationality	Portuguese
Date of first appointment	20 April 2005
End of current term	31 December 2016

Academic qualifications

1990: Economics graduate, Universidade do Porto
1996: "Master Quality Management" – Institut Méditerranéen de la Qualité / École Supérieure de Commerce et Technologie – France
2003: Post-graduation in Human Resources – Universidade Moderna do Porto
2010: MBA, IE Madrid

Management and supervisory positions at other companies

Director of Sarcol – Sociedade de Gestão e Investimento Imobiliário, S.A.

Other positions

Consultant at Dynargie.

Previous professional experience

Various positions held at Sarcol Group

Luís Manuel Alves de Sousa Amorim

Date of birth	1 September 1963
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1986: Business Management graduate – Universidade Católica Portuguesa

Management and supervisory positions at other companies

2000-...: Director of RIAOVAR – Empreendimentos Turísticos e Imobiliários, S.A.

Previous professional experience

1993-2007: Director of Simon – Sociedade Imobiliária do Norte, S.A.
1991-2007: Manager of Sanor – Sociedade Agrícola do Norte, Lda.
1989-1990: Manager of the Organisation and Management Systems Department – Modelo Supermercados, S.A.
1986-1989: Professional staff member of the Management Control Department – Sonae Distribuição, S.A.

SUPERVISORY BOARD

Abel António Pinto dos Reis (Chairman)

Date of birth	10 October 1933
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1960: Economics graduate of the Universidade do Porto
1952: Accounting Course, Instituto Comercial Porto
1948: General Commerce Course, Colégio Universal, Porto

Management and supervisory positions at other companies

2007-...: Chairman of the Supervisory Board of COSEC – Companhia de Seguros de Créditos, S.A.
2000-...: Non-executive Director of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.

Previous professional experience

2007-2008 (31 March): Chairman of the Supervisory Board of BPI Vida – Companhia de Seguros de Vida, S.A.
2000-2008 (31 March): Non-executive Director of Fernando & Irmãos, SGPS, S.A.
1993-1997: Member of the Management Board of Caixa Central de Crédito Agrícola Mútuo
1986-1992: Chairman of the Management Board of the Fundo de Garantia do Crédito Agrícola Mútuo
1976-1992: Director at the Bank of Portugal
1961-1964: Assistant lecturer at Faculdade de Economia do Porto
1957-1975: Employee, professional staff member, auditor and manager of Banco Português do Atlântico
1952-1953: Employee of Banco Espírito Santo

Jorge de Figueiredo Dias

Date of birth	30 September 1937
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2016

Academic qualifications

1959: Law graduate of the Universidade do Coimbra
1970: PhD in Law (Legal Sciences) from Law Faculty of the Universidade de Coimbra
1977: Chair Professor

Management and supervisory positions at other companies

Chairman of the Board of Directors of Bússola das Palavras, S.A.

Other positions

Member of Management Council of the Fundação Luso-Americana para o Desenvolvimento

Previous professional experience

1991-2005: Deputy-Chairman of SIC (Société Internationale de Criminologie)
1990-2001: Chairman of FIPP (Fondation Internationale Pénale et Pénitentiaire)
1996-2002: Deputy-Chairman of SIDS (Société Internationale de Défense Sociale)
1996-2000: Chairman of the General Meeting Committee of Caixa Geral de Depósitos
1991-1996: Member of SIDS (Société Internationale de Défense Sociale)
1986-1991: Member of SIC (Société Internationale de Criminologie)
1984-2004: Member of the Management Council of the AIDP (Association Internationale de Droit Pénal)
1982-1986: Member of the Council of State
1979-1983: Member of the Constitutional Commission
1978-1990: Member of FIPP (Fondation Internationale Pénale et Pénitentiaire)

Rui Campos Guimarães

Date of birth	11 August 1949
Nationality	Portuguese
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1971: Hons. degree in Mechanical Engineering, Engineering Faculty, Universidade do Porto
1976: Master of Arts from Lancaster University, UK
1981: Doctor of Philosophy in Operational Research from Lancaster University, UK
1998: Aggregation in Industrial Management, Engineering Faculty, Universidade do Porto

Management and supervisory positions at other companies

2005-...: Member of the Board of Directors of Fundação de Serralves, where he is Executive Deputy-Chairman since 2011
2011-...: Member of the Board of Directors of the Associação EGP – U.Porto, which supports the functioning of the Porto Business School

Previous professional experience

1971-2011: Lecturer at the Engineering Faculty of the Universidade do Porto, where he occupied the office of Senior Professor since 1999
1986-1989: President of the Management Board of INEGI – Instituto de Engenharia Mecânica e Gestão Industrial
1995-2000: President of the Management Board of ISEE – Instituto Superior de Estudos Empresariais, subsequently transformed into EGP – Escola de Gestão do Porto and the Porto Business School
2003-2009: Director General of COTEC Portugal – Associação Empresarial para a Inovação

BOARD OF DIRECTORS

Artur Santos Silva (Presidente)

Date of birth	22 May 1941
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2016

Academic qualifications

1985: Stanford Executive Program, Stanford University
1963: Law graduate, Universidade de Coimbra

Management and supervisory positions at other companies

Chairman of the Board of Directors of Partex Oil & Gas (Holdings) Corporation (100% held by Fundação Calouste Gulbenkian)

Other positions

Chairman of the Board of Directors of Fundação Calouste Gulbenkian

Previous professional experience

1981-2004: Executive Chairman of SPI / BPI
1977-1978: Deputy-Governor of the Bank of Portugal
1975-1976: Secretary of State of the Treasury
1968-1975: Manager at Banco Português do Atlântico
1963-1967: Assistant lecturer at the Law Faculty of Universidade de Coimbra in the chairs Public Finance and Political Economics.

Fernando Ulrich (Deputy-Chairman and Chairman of Executive Committee)

Date of birth	26 April 1952
Nationality	Portuguese
Date of first appointment	22 March 1985
End of current term	31 December 2016

Academic qualifications

1969-74: Attended Business Management Course of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.
Chairman of the Board of Directors of BPI Vida e Pensões – Companhia de Seguros, S.A.
Chairman of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A.
Chairman of the Board of Directors of BPI Global Investment Fund Management Company, S.A.
Director of BPI Capital Finance Limited
Director of Banco BPI Cayman, Ltd.

Management and supervisory positions at other companies

Manager of Viacer, Sociedade Gestora de Participações Sociais, Lda.
Manager of Petrocer, SGPS, Lda.

Other positions

Member of the Board of the Associação Portuguesa de Bancos
Chairman of the Founders' Assembly of the Fundação Portugal África

Previous professional experience

1983-1985: Deputy Manager of SPI – Sociedade Portuguesa de Investimento
1981-1983: Chief of the Office of the Minister of Finance and Planning
1979-1980: Officer at the Secretariat for External Economic Cooperation of the Ministry of Foreign Affairs (Relations with the EFTA, OECD and GATT)
1975-1979: Member of the Portuguese Delegation at the OECD (Paris), responsible for economic and financial matters
1973-1974: In charge of the financial markets section of the weekly "Expresso"

Alfredo Rezende de Almeida

Date of birth	22 May 1934
Nationality	Portuguese
Date of first appointment	6 October 1981
End of current term	31 December 2016

Academic qualifications

1959: Economics graduate, Economics Faculty of the Universidade do Porto

Management and supervisory positions at other companies

Sole Director of Casa de Ardias – Sociedade Agrícola e Comercial, S.A.

Other positions

Director of ATP – Associação Têxtil e do Vestuário de Portugal
Director of Associação Portuguesa de Exportadores Têxteis

Previous professional experience

1998-2008: Chairman of the Board of Directors of ARCOtêxteis, S.A.
1998-2008: Chairman of the Board of Directors of ARCOfio – Fiação, S.A.
1998-2006: Deputy-Chairman of the Board of Directors of ARCOtinto – Tinturaria, S.A.
1995-2006: Director of FÁBRICA DO ARCO – Recursos Energéticos, S.A.
1989-1990: Chairman of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1985-1988: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1986-1991: Member of the General Board of Sociedade Portuguesa de Capital de Risco, S.A.
1959-1963: Director of Sociedade Luso-Americana de Confecções, SARL

António Domingues (Deputy-Chairman of Executive Committee)

Date of birth	30 December 1956
Nationality	Portuguese
Date of first appointment	29 November 1995
End of current term	31 December 2016

Academic qualifications

1979: Economics graduate of the Instituto Superior de Economia de Lisboa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of Banco Português de Investimento, S.A.
Deputy-Chairman of the Board of Directors of Banco de Fomento Angola, S.A.
Chairman of the Board of Directors of BPI Moçambique – Sociedade de Investimento, S.A.
Member of the Companhia de Seguros Allianz Portugal, S.A.
Member of the BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Non-executive Director at NOS, SGPS, S.A.

Previous professional experience

2007-2013: Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
1988-1989: Assistant Director-General of the branch in France of Banco Português do Atlântico
1986-1988: Technical advisor at the Foreign Department of the Bank of Portugal
1982-1985: Director of the Foreign Department of the Instituto Emissor de Macau
1981: Economist at IAPMEI
Until 1981: Economist at the Office of Studies and Planning of the Ministry of Industry and Energy

António Lobo Xavier

Date of birth	16 October 1959
Nationality	Portuguese
Date of first appointment	23 April 2008
End of current term	31 December 2016

Academic qualifications

1982: Law graduate of the Universidade de Coimbra
1988: MSc in Legal-Economic Sciences from the Law Faculty of the Universidade de Coimbra

Management and supervisory positions at other companies

Executive Director of SonaeCom – SGPS, S.A.
Non-executive Director of NOS SGPS, S.A.
Non-executive Director of Público – Comunicação Social, S.A.
Non-executive Director of Mota Engil, S.A.
Non-executive Director of Fábrica Têxtil Riopele, S.A.
Non-executive Director of Vallis, SGPS, S.A.

Other positions

Curator Member of the Fundação Belmiro de Azevedo
Partner of law firm "Morais Leitão, Galvão Teles, Soares da Silva e Associados – Sociedade de Advogados"
Chairman of the IRC Reform Commission
Consultant to the Board of Directors of SonaeCom, SGPS, S.A.
Member of the Consultative Committee of Futebol Clube do Porto, SAD
Member of the Board of Directors of the Instituto de Arbitragem Comercial
Member of the Board of Directors of the Centro de Arbitragem Comercial

Previous professional experience

2000-2002: Director of Futebol Clube do Porto, SAD
1988-1994: Guest lecturer of the Law department of Universidade Portucalense
1988-1994: Teacher at the European Studies Course at the Law Faculty of Universidade de Coimbra
1988: Advisor for the 1988 Tax Reform Commission
1988-1994: Assistant lecturer at the Law Faculty of the Universidade de Coimbra
1986-1991: Member of the Higher Council of the Administrative and Tax Courts
1985-…: Independent law consultant in the matters of Finance and Tax Law
1983-1996: Member of the Portuguese Parliament
1983-1988: Trainee assistant lecturer at the Law Faculty of the Universidade de Coimbra

Antonio Massanell Lavilla

Date of birth	24 September 1954
Nationality	Spanish
Date of first appointment	24 October 2014
End of current term	31 December 2016

Academic qualifications

1988: Hons. degree in Economic Science from the Universidade de Barcelona

Management and supervisory positions at other companies

Executive Deputy-Chairman of the Board of Directors of Caixabank, S.A.
Non-Executive Deputy-Chairman of the Board of Directors of Mediterranea Beach & Golf Community, S.A.
Non-Executive member of the Board of Directors of Sareb, S.A.
Non-Executive member of the Board of Directors of Boursorama, SAS
Non-Executive member of the Board of Directors of Telefónica, S.A.
Non-Executive Chairman of the Board of Directors of Cecabank, S.A.

Previous professional experience

2014-…: Deputy-Chairman of Caixabank, S.A.
2011-2014: Director General of Means at Caixabank, S.A.
1999-2011: Executive Assistant Director General of Caja de Ahorros Y Pensions de Barcelona "la Caixa"

Armando Costa Leite de Pinho

Date of birth	29 April 1934
Nationality	Portuguese
Date of first appointment	26 March 1987
End of current term	31 December 2016

Academic qualifications

1956: Diploma in Engineering, Instituto Superior de Engenharia do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Arsopi – Holding, SGPS, S.A.
Chairman of the Board of Directors of Arsopi – Indústrias Metalúrgicas Arlindo S. Pinho, S.A.
Sole Director of Arsopi España, S.L.
Chairman of the Board of Directors of Tecnocon – Tecnologia e Sistemas de Controle, S.A.
Chairman of the Board of Directors of Arsopi – Thermal, S.A.
Chairman of the Board of Directors of A. P. Invest, SGPS, S.A.
Chairman of the Board of Directors of ROE, SGPS, S.A.
Chairman of the Board of Directors of Security, SGPS, S.A.
Director of Unicer – Bebidas de Portugal, SGPS, S.A.
Director of Empresa de Transportes Álvaro Figueiredo, S.A.
Director of Viacer – Sociedade Gestora de Participações Sociais, Lda.
Director of Petrocer – SGPS, Lda.
Director of IPA – Imobiliária Pinhos & Antunes, Lda.

Previous professional experience

1988-2000: Managing Director of Arsopi, S.A.
1985-1990: Member of the General Board of BCI – Banco de Comércio e Indústria, S.A.
1969-1988: Manager of Arsopi, Lda.
1957-1969: Manager and Technical and Production Director of Metalúrgica de Cambra

Carla Bambulo

Date of birth	28 August 1973
Nationality	Portuguese
Date of first appointment	29 January 2015
End of current term	31 December 2016

Academic qualifications

1999: Hons. degree in Applied Mathematics and Computation, Universidade Técnica de Lisboa – Instituto Superior Técnico
2004: Masters degree in Insurance and Pension Fund Management (curricular part) – Universidade de Barcelona – IFA

Management and supervisory positions at other companies

Does not occupy any management or oversight positions at other companies.

Previous professional experience

2015-…: Head of Business Division for Iberia and Latin America at Allianz SE
2013-2014: Senior Business Consultant for Iberia and Latin America at Allianz SE
2011-2012: Manager of Strategic, Risk and Actuarial Planning at Companhia de Seguros Allianz Portugal
2008-2010: Manager of Strategic Planning, Control and Reporting at Companhia de Seguros Allianz Portugal
2006-2007: Head of Reporting at Companhia de Seguros Allianz Portugal

Carlos Moreira da Silva

Date of birth	12 September 1952
Nationality	Portuguese
Date of first appointment	20 April 2006
End of current term	31 December 2016

Academic qualifications

2006: Stanford Executive Programme, University of Stanford, USA
1982: PhD in Management Sciences, University of Warwick, UK
1978: MSc in Man. Sci. and OR, University of Warwick, UK
1975: Graduate in Mechanical Engineering from the University of Porto

Management and supervisory positions at other companies

Non-Executive Director of BA GLASS BV
Non-Executive Chairman of the Board of Directors of BA VIDRO S.A.
Non-Executive Chairman of the Board of Directors of BA VIDRIO S.A.
Non-Executive Chairman of the Supervisory Board of BA GLASS POLAND
Non-Executive Chairman of the Board of Directors of Fim do Dia SGPS S.A.
Non-Executive Director of Sonae Indústria, S.A.

Previous professional experience

2009-2012: Member of the Supervisory Board of Jeronimo Martins Dystrybucja, S.A.
2005-2012: Member of the Advisory Board of 3i Spain
2003-2005: Chairman of Executive Committee of Sonae Indústria, SGPS
1988-1998: Director of several companies within Sonae Group
1987-1988: Director of EDP, Electricidade de Portugal
1982-1987: Assistant Professor at the Engineering Faculty of the Universidade do Porto

Herbert Walter (resigned at 15 January 2015)

Date of birth	10 August 1953
Nationality	German
Date of first appointment	21 April 2004
End of current term	31 December 2016

Academic qualifications

1982: PhD in Political Sciences
1974-79: Kaufmann graduate in Business Administration, Ludwig-Maximilians University (Munich)

Management and supervisory positions at other companies

Member of the Board of Directors of DEPFA Bank plc, Dublin
Member of the Board of Directors of Hypo Alpe Adria Bank Internacional, Klagenfurt
Member of the Supervisory Board of Board of Aragon Ag, Wiesbaden (since July 2012)

Previous professional experience

2011(Feb.)-2013(Feb.): Member of the Board of Directors of NOMOS-BANK, Moscow
Member of the Board of Directors of Banco Popular Español S.A., Madrid (until March 2010)
Member of the Board of Directors of Deutsche Lufthansa AG, Colónia (until May 2010)
Member of the Board of Directors of E.ON Ruhrgas AG, Essen (until May 2010)
Assistant lecturer at the University of Munich
Journalist for "Frankfurter Allgemeine Zeitung and Handelsblatt"
2003-2009: Chairman of the Executive Committee of Dresdner Bank AG
2003-2009: Member of the Board of Directors of Allianz SE
1999-2002: Responsible for Customers (Companies and Individuals) and Member of the Executive Committee of the Deutsche Bank Group
1999-2003: "Spokesman" of the Executive Committee of Dresdner Bank 24 AG

Edgar Alves Ferreira

Date of birth	21 March 1945
Nationality	Portuguese
Date of first appointment	20 October 2005
End of current term	31 December 2016

Academic qualifications

1967: Forestry graduate of the Instituto Superior de Agronomia
Post-graduate degree in Management from the Universidade Nova de Lisboa

Management and supervisory positions at other companies

Director of HVF – SGPS, S.A.
Director of III – Investimentos Industriais e Imobiliários, S.A.
Director of Corfi, S.A.
Director of Violas Ferreira Financial S.A.

Previous professional experience

1978-…: Production manager at Cotesi
…-2005: Director of companies within Violas Group
1989-2005: Member of the Board of Directors of Unicer – Bebidas de Portugal, SGPS, S.A.

Ignacio Alvarez-Rendueles

Date of birth	8 July 1965
Nationality	Spanish
Date of first appointment	22 April 2009
End of current term	31 December 2016

Academic qualifications

1991: The Wharton School, University of Pennsylvania MBA, Major in Finance
1988: C.U.N.E.F. Universidade Complutense de Madrid, Honours degree in Economic and Business Sciences

Management and supervisory positions at other companies

Director-General of CaixaBank, S.A.

Other positions

Escuela de Organización Industrial de España – Member of the Advisory Board

Previous professional experience

2008-2011: Caja de Ahorros y Pensiones de Barcelona "la Caixa" – Executive Deputy Chairman, International Banking
2000-2008: Goldman Sachs International – Executive Director, Investment Banking
1993-2000: Salomon Brothers International – Director, Investment Banking
1992-1993: S.G. Warburg & Co. – Associate, Investment Banking
1989-1990: Salomon Brothers International – Financial analyst, Investment banking

Isidro Fainé Casas

Date of birth	10 July 1942
Nationality	Spanish
Date of first appointment	27 March 1996
End of current term	31 December 2016

Academic qualifications

Graduate in "Senior Management", IESE
PhD in Economics
Full Academician of the "Real Academia de Ciencias Económicas y Financieras" and Academician of the Real Academia de Doctores
Holder of an ISMP in "Business Administration", Harvard University

Management and supervisory positions at other companies

President of Patronato of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"
Chairman of the Board of Directors of CaixaBank, S.A.
Executive Chairman of the Board of Directors of Criteria CaixaHolding, S.A.
First Deputy-Chairman of Abertis Infraestructuras, S.A.
Deputy-Chairman of Telefónica, S.A.
First Deputy-Chairman of Repsol, S.A.
Director of Suez Environnement Company
Non-Executive Director of The Bank of East Asia, Ltd.

Other positions

President of the Confederación Española de Cajas de Ahorros – CECA
First Deputy-Chairman of the European Savings Banks Group – ESBG
First Deputy-Chairman of the World Savings Banks Institute – WSBI
President of the Confederación Española de Directivos y Ejecutivos – CEDE
President of the Capítulo Español del Club de Roma
President of the Círculo Financiero
Member of the Consejo Empresarial para la Competitividad – CEC

Previous professional experience

1999-2007: Director-General of Caixa de Ahorros y Pensiones de Barcelona "La Caixa"
1991: Executive Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "La Caixa"
1984: Deputy Director-General of Caja de Ahorros y Pensiones de Barcelona "La Caixa"
1982: Subdirector-General of Caixa de Ahorros y Pensiones de Barcelona "La Caixa"
1978: General Manager of Banco Unión, S.A.
1974: Advisor and General Manager of Banca Jover
1973: Staff Manager of Banca Riva Y Garcia
1969: Director of Banco Asunción, Paraguay
1964: Investment Manager of Banco Atlântico

José Pena do Amaral

Date of birth	29 November 1955
Nationality	Portuguese
Date of first appointment	21 April 1999
End of current term	31 December 2016

Academic qualifications

1978: Economics graduate from Instituto Superior de Ciências do Trabalho e da Empresa

Management and oversight positions held at companies within the BPI Group

Non-Executive Member of the Board of Directors of Banco de Fomento Angola, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.
Director of Companhia de Seguros Allianz Portugal, S.A.

Other positions

Deputy-Chairman of the Board of Directors of Casa da Música
Member of the Board of Curators of the Lisbon MBA

Previous professional experience

1986-1996: Consultant at Casa Civil of the President of the Republic for European Affairs
1983-1985: Head of the Office of the Minister of Finance and Planning; permanent member of the Portuguese Ministerial Delegation in the negotiations for Portugal's accession to the European Community
1982-1983: Member of the Office of the consultants Jalles & Vasconcelos Porto; correspondent of the Expresso, RTP and of Deutsche Welle in Brussels
1980-1982: Head of the ANOP delegation in Brussels
1979-1980: Editor of the Economic Supplement of the Diário de Notícias
1975-1980: Professional journalist at the Diário de Notícias

João Pedro Oliveira e Costa

Date of birth	15 October 1965
Nationality	Portuguese
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1989: Company Administration and Management, Universidade Católica Portuguese

Management and oversight positions held at companies within the BPI Group

Director of Banco Português de Investimento, S.A.
Director of BPI Suisse

Management and supervisory positions at other companies

Does not occupy other positions

Previous professional experience

2007-...: Director and member of the Executive Committee of Banco Português de Investimento, S.A.
2000-2007: Central Manager at Banco Português de Investimento, S.A.

Manuel Ferreira da Silva

Date of birth	25 February 1957
Nationality	Portuguese
Date of first appointment	26 April 2001
End of current term	31 December 2016

Academic qualifications

1982: MBA, Nova School of Business and Economics
1980: Economics graduate from the Economics Faculty of the Universidade do Porto

Management and oversight positions held at companies within the BPI Group

Director and Chairman of the Executive Committee of the Board of Directors of Banco Português de Investimento, S.A.
Chairman of the Board of Directors of BPI Private Equity – Sociedade de Capital de Risco, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.

Management and supervisory positions at other companies

Member of the Supervisory Board of Euronext, N.V.
Director of Fundação de Serralves
Chairman of the Supervisory Board of Cerealis, SGPS, S.A.
Chairman of the Supervisory Board of INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Previous professional experience

2010-2014: Member and effective from 2012 President of the Representatives Board of the Economics Faculty of the Universidade do Porto
2000-2001: Director of the Lisbon and Oporto Stock Exchange
1980-1989: Lecturer at the Economics Faculty at the Universidade do Porto
1981-1983: Assistant to the manager of the Centro de Investigação Operacional da Armada

Marcelino Armenter Vidal

Date of birth	2 June 1957
Nationality	Spanish
Date of first appointment	3 February 2005
End of current term	31 December 2016

Academic qualifications

Hons degree in Company Management and Administration
Master of Business Administration (ESADE)

Management and supervisory positions at other companies

Director-General of Criteria CaixaHolding, S.A.
Director of Abertis Infraestruturas S.A.
Executive Chairman of Caixa Capital Risc, S.G.E.C.R., S.A.
2nd Vice Chairman of Ahorro Corporación

Previous professional experience

2007-2013: Director-General of CaixaBank (Riesgos)
2005-2007: Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa"
2001-2007: Director-General of Caixa Holding, S.A.
1995-2000: Managing Director of Banco Herrero
1996-2000: Director of Hidroeléctrica del Cantábrico

Maria Celeste Hagatong

Date of birth	2 July 1952
Nationality	Portuguese
Date of first appointment	27 September 2000
End of current term	31 December 2016

Academic qualifications

1974: Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa

Management and supervisory positions at other companies

Director of BPI Madeira, SGPS, Unipessoal, S.A.
Non-Executive Director of Cosec – Companhia de Seguros de Crédito, S.A.

Other positions

Non-executive Director of CUP – Sociedade de Gestão Hospitalar, S.A.

Previous professional experience

1984-1985: Member of the Board of Directors of Fonds de Rétablissement du Conseil de L'Europe
1978-1985: Manager of Financial Services at the Directorate-General of the Treasury of the Ministry of Finance
1977: Administrative and Finance Director of the Republic's Parliament
1976-1977: Ministry of Finance – Directorate-General of the Treasury
1974-1976: Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa
1974-1976: Responsible for the Department of Local Finance of the Ministry for Internal Administration

Mário Leite da Silva

Date of birth	16 November 1972
Nationality	Portuguese
Date of first appointment	22 April 2009
End of current term	31 December 2016

Academic qualifications

Economics graduate, Economics Faculty of Universidade do Porto

Management and supervisory positions at other companies

Chairman of the Board of Directors of Santoro, Financial Holding, SGPS, S.A.
Chairman of the Board of Directors of Santoro Finance, S.A.
Chairman of the Board of Directors of Fidequity – Serviços de Gestão, S.A.
Chairman of the Board of Directors of Grisogono, S.A.
Member of the Board of Directors of Socip – Sociedade de Investimentos e Participações, S.A.
Member of the Board of Directors of Esperaza Holding, B.V.
Member of the Board of Directors of Banco de Fomento Angola, S.A.
Member of the Board of Directors of Nova Cimangola, S.A.
Member of the Board of Directors of Finstar – Sociedade de Investimentos e Participações, S.A.
Member of the Board of Directors of Kento Holding Limited
Member of the Board of Directors of NOS, SGPS, S.A.
Member of the Board of Directors of Victoria Holding Limited
Member of the Board of Directors of Victoria, Ltd.
Member of the Board of Directors of Dorsay, SGPS, Unipessoal, S.A.
Director of Niara Holding, SGPS, Unipessoal, Lda.
Member of the Board of Directors of GOTS – Gestão, Organização, Desenvolvimento e Serviços, S.A.
Member of the Board of Directors of Ciminvest – Sociedade de Investimentos e Participações, S.A.
Member of the Audit and Finance Committee of NOS, SGPS, S.A.

Previous professional experience

Administrative and Financial Director and Member of the Board of Directors of several companies of Grupo Américo Amorim

Pedro Barreto

Date of birth	3 March 1966
Nationality	Portuguese
Date of first appointment	3 March 2004
End of current term	31 December 2016

Academic qualifications

2001: Stanford Executive Program
1989: Business Management graduate of the Universidade Católica Portuguesa

Management and oversight positions held at companies within the BPI Group

Deputy-Chairman of the Board of Directors of BCI – Banco Comercial e de Investimentos, S.A.
Director of BPI Madeira, SGPS, Unipessoal, S.A.
Director of Unicre – Instituição Financeira de Crédito, S.A
Non-Executive Director of SIBS SGPS, S.A.
Non-Executive Director of SIBS, Forward Payment Solutions, S.A.

Previous professional experience

1984-1988: IT Division of Soporcel – Sociedade Portuguesa de Celulose

Tomaz Jervell

Date of birth	4 March 1944
Nationality	Norwegian
Date of first appointment	26 March 1987
End of current term	31 December 2016

Academic qualifications

1969: Higher School of Commerce, Oslo

Management and supervisory positions at other companies

Chairman of the General Board of Auto-Sueco, Lda.
Chairman of the Board of Directors of Norbase, SGPS, S.A.
Chairman of the Board of Directors of Auto-Sueco (Angola), SARL
Chairman of the Board of Directors of Vellar, SGPS, S.A.

Vicente Tardio Barutel

Date of birth	19 November 1947
Nationality	Spanish
Date of first appointment	23 April 2014
End of current term	31 December 2016

Academic qualifications

1971: Hons. Degree in Economics, Universidade de Barcelona Actuario, Universidade de Barcelona

Management and supervisory positions at other companies

Chairman of the Board of Directors of Companhia de Seguros Allianz Portugal, S.A
Chairman of the Board of Directors of Allianz Compañia de Seguros y Reaseguros, S.A. (Spain)
Chairman of Allianz Popular, S.L.
Chairman of Allianz México S.A. Compañia de Seguros
Chairman of the Consultative Board of Allianz do Brasil Participações, Ltda.
Director of Allianz Seguros, S.A. Brasil
Director of Banco Popular Español, S.A.
Member of the International Executive Committee of Allianz, SE
Alternate member of the Board of Directors of Allianz Colômbia S.A.
Principal member of the Board of Directors of Allianz Seguros, S.A.
Principal member of the Board of Directors of Allianz Seguros de Vida, S.A.
Principal member of the Board of Directors of Allianz Inversiones, S.A.
Principal member of the Board of Directors of Principal member of the Board of Directors of Fiduciaria Colseguros S.A.

BANCO BPI, S.A.

Public held company

Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534

Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL

Share Capital: EUR 1 293 063 324.98