Report

Banco BPI

1st half 2015

Public held company
Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534
Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL
Share Capital: EUR 1 293 063 324.98

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Leading business indicators

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

	Jun.14	Jun.15	Δ%
Net total assets	41 287	41 434	0.4%
Assets under management[1]	14 125	16 970	20.1%
Loans to Customers (gross) and guarantees	28 264	27 391	(3.1%)
Customer deposits	24 380	25 843	6.0%
Total Customer resources [2]	31 966	35 281	10.4%
Business turnover[3]	60 229	62 672	4.1%
Business turnover[3] per Employee (thousands of euro)	6 988	7 345	5.1%
Loans to deposits ratio[4, 5]	92%	82%	
Net operating revenue	328.6	587.2	78.7%
Net operating revenue per Employee (thousands of euro)	38	69	82.5%
Operating costs / net operating revenue, excluding non-recurring impacts [6]	64.9%	56.8%	
Net profit	(106.6)	76.2	171.5%
Return on average total assets (ROA)	0.0%	0.7%	
Return on Shareholders' equity (ROE)[7]	(5.1%)	6.8%	
Adjusted data per share (euro)			
Net profit per share	(0.077)	0.053	168.6%
Book value	1.525	1.537	0.8%
Weighted average no. of shares (in millions)	1.393	1.450	4.1%
Credit at risk / Loans to Customers[5]	5.4%	5.3%	
Impairments cover of credit at risk[8]	83%	84%	
Net credit loss[9]	0.72%	0.64%	
Pension liabilities to Employees	1 114	1 279	14.8%
Cover of pension obligations	106%	106%	
Shareholders' equity and minority interests	2 541	2 621	3.2%
Common equity Tier I ratio (CRD IV / CRR phasing in)	12.5%	10.5%	
Common equity Tier I ratio (CRD IV / CRR fully implemented)	8.6%	9.1%	
Closing price (euro)	1.529	1.018	(33.4%)
Stock market capitalisation at year end	2 228	1 483	(33.4%)
Distribution network (no.)[10]	847	837	(1.2%)
BPI Group staff complement (no.) [11]	8 619	8 532	(1.0%)

Note: figures as reported. The figures presented in the Directors' Report refer to the figures as reported except where expressly indicated that they refer to pro forma figures (considering the retrospective application of the requirements of IFRIC 21, as envisaged by IAS 8; see notes to the financial statements 2.1 – Comparability of information (IFRIC 21)). The retrospective application of IFRIC 21 has the following impacts using as the basis the consolidated figures at 30 June 2014: decrease in total assets of 10.1 M.€, decrease in shareholders' equity of 18.3 M.€ and decrease in net profit of 2.7 M.€.

1) Figures not corrected for double counting (investments of financial products in other financial products). Includes unit trust funds, retirement-savings plans (PPR's) and equity savings plans (PPA's), capitalisation insurance, limited-risk / capital-guaranteed bonds, Private Banking and institutional Clients' assets under discretionary management and advisory mandate and assets of pension funds under management (including the BPI Group's Employees' pension funds).

2) On-balance sheet Customer Resources (deposits, bonds placed with Customers and capitalisation insurance) and off-balance sheet resources (financial-asset and real-estate unit trust funds, equity savings plans and retirement savings plans). Figures corrected for double counting.

3) Customer loans, guarantees and total Customer resources.

4) Deposits as a percentage of net loans.

5) Calculated in accordance with Bank of Portugal Instruction 16/2004.

6) Excluding non-recurring impacts both in costs and revenues.

7) In calculating ROE, it was considered the Shareholders' equity prior to deduct the fair value reserve (negative) relating to the portfolio of available-for-sale financial assets.

8) Cover by accumulated loans and guarantees impairment allowances in the balance sheet and without considering the effect of collaterals.

9) Loan impairment charges in the semester, after deducting recoveries of loans written off (income statement) / Customer loans. In annualised terms.

10) 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.

11) Excludes temporary workers.

Introduction

Operations and results

Banco BPI earned a consolidated net profit of 76.2 M.€ in the 1st half of 2015 and a consolidated ROE of 6.8%. Domestic operations contributed with 6.6 M.€ to that result, while the contribution from international operations posted 40% growth to 69.6 M.€.

The background to the Bank's domestic operations registered a favourable trend in the six months with the recovery in private consumption and investment, the export sector's continuing expansion, the higher employment and the decline in the unemployment rate. The upswing in domestic operations in the 1st half of 2015 is a positive contribution to the consolidated earnings and is founded on the recovery of the recurrent earnings base:

- the 27% improvement in net interest income, attributable primarily to the lower costs of term deposits, to the progressive stabilisation of the loan portfolio in the wake of a moderate upturn in the demand for credit, and to the complete redemption of the Coco instruments in June 2014;
- the reduction in the cost of credit risk, from 0.71% in the 1st half of 2014 to 0.54% in the 1st half of 2015, although it still remains well above the historical figures recorded by BPI;
- the decrease in operating costs of 1.1%, a reflection of the gradual implementation of rationalisation measures.

In international operations, notwithstanding the deterioration of the economic landscape surrounding BFA's business in Angola, - a consequence of the fall in crude oil prices on the international market to low levels – BFA increased its contribution to consolidated results to 66.9 M.€ (+43%)while the return on its shareholders' equity (ROE) stood at 32%. This improvement is underpinned by the marked solidity, efficiency and competitive position that BFA has attained in the Angolan market: in the individual accounts, BFA registers a 34% efficiency ratio, a ratio for the transformation of deposits into loans of 21%, while credit-at-risk represented 12% of shareholders' equity and was 111% covered by impairment allowances. The solvency ratio according to the rules laid down by the Banco Nacional de Angola (Central Bank) was situated at 23%.

Still on the subject of international operations, Banco Comercial e de Investimentos (whose 30% shareholding is equity accounted) contributed with 3.7 M.€ (+9%) to BPI's consolidated net profit.

Capital

The consolidated common equity Tier I (CET1) capital ratio, calculated according to the fully-implemented CRD IV / CRR rules (that is, without benefiting from the phasing-in period envisaged in these rules), stood at 9.1% at the end of June 2015.

The common equity Tier I capital ratio calculated according to the CRD IV / CRR rules applicable in 2015 was 10.5%.

The above ratios already accommodate the application of the 100% risk weightings to BFA's exposure, expressed in Kwanzas, to the Angolan State and to Banco Nacional de Angola (Central Bank). This change, effective from 1 January 2015, resulted from the Republic of Angola's exclusion by the European Commission from the list of 17 States or territories in respect of whose financial institution supervision is recognised as being of an equivalent standard. As a consequence of that exposure, for purposes of calculating Banco BPI's consolidated capital indicators, it ceased to be recognised by the Angolan regulatory weightings, and now adopts the criteria envisaged in European regulations (CRR, CRD IV).

The non-recognition of supervision equivalence in Angola had as another consequence the end of the non-application of the large exposures limit which BFA's exposure to the Angolan State and to BNA benefited from, with that limit having been exceeded by some 3 th.M.€. Banco BPI is studying various solutions for accommodating that excess. At the present time, Banco BPI had not taken any decision as regards the solution to adopt.

Takeover Bid for Banco BPI shares announced by CaixaBank

On 17 February 2015, the institution CaixaBank, which owns 44.1% of BPI's capital, made public by way of a preliminary announcement its intention to launch a general and voluntary takeover bid for the Bank's entire capital, offering 1.329 euro per share and which included the following two conditions: i) the elimination of any limit to the counting of any shareholder's votes in general meeting, as laid down in article 12(4) of the Statutes; and ii) the acquisition of a minimum of 5.9% of the shares so as to be able to hold more than 50% of the share capital.

On 5 March 2015, BPI's Board of Directors pronounced itself on that bid in a public report, being of the opinion that the offer price was inadequate, and for this reason did not recommend its acceptance by shareholders. According to the Board, the price that reflects BPI's value is 2.04 euro per share - 1.12 euro corresponding to domestic operations and 0.92 euro to international operations, to which must be added a further 0.22 euro, which would result from the attribution to the remaining shares of half of the synergies announced by the Offeror.

At BPI's Annual General Meeting of 29 Abril, at the proposal tabled by the shareholder Santoro Finance – Prestação de Serviços, S.A., a point was included to consider an amendment to the Statutes so as to eliminate the limit on the counting of votes contained therein.

The General Meeting decided to suspend the proceedings and to postpone to a new session (which was held on 17 June) the review of the proposal tabled by the shareholder Santoro Finance – Prestação de Serviços, S.A. According to the statutes, the proposed statutory amendment requires the approval of 75% of the votes cast. Given that at the 17 June meeting the proposed statutory amendment only obtained 52.45% of the votes cast for the motion, the elimination of the limit on the counting of votes was not approved.

In the wake of the aforementioned GM resolution, on 18 June CaixaBank communicated to the market that it had decided to present to the CMVM its withdrawal of the registration of the takeover bid for BPI's share.

Sale of Novo Banco

The resolution process applied to Banco Espírito Santo led to the creation in August 2014 of Novo Banco, a transitional institution. The creation of Novo Banco was supported by a capital contribution of 4.9 billion euro, funded by the Resolution Fund. The Fund, administered by the Bank of Portugal and by the Ministry of Finance, is made up of contributions from all the system's institutions, in amounts proportional to their relative weight.

On 16 December 2014 BPI's Board of Directors decided to submit an Expression of Interest in the process for Novo Banco's sale. Banco BPI's non-binding proposal was not selected for the third phase of the Novo Banco's sale.

At the date of closing this report, the sale of Novo Banco is still in progress.

Governing bodies

At 30 June 2015

General Meeting Committee

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

Remuneration Committee

CaixaBank, S.A.[3]
Arsopi-Holding, SGPS, S.A.[4]
Violas Ferreira Financial, S.A.[5]

Nominations, Evaluation and Remuneration Committee

Chairman
António Lobo Xavier
Members
Carlos Moreira da Silva
Marcelino Armenter Vidal

Corporate Governance Committee

Chairman
Artur Santos Silva
Members
Armando Leite de Pinho
Carla Bambulo
Tomaz Jervell

Financial Risks Committee

Chairman
Artur Santos Silva
Members
Marcelino Armenter Vidal
Vicente Tardio Barutel

Board of Directors

Chairman
Artur Santos Silva
Vice-Presidente
Fernando Ulrich
Members
Alfredo Rezende de Almeida
Allianz Europe, Ltd.[1]
António Domingues
António Lobo Xavier
Antonio Massanell 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

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

Supervisory Board

Chairman
Abel António Pinto dos Reis
Members
Jorge de Figueiredo Dias
Rui Campos Guimarães
Alternate members
Francisco Javier Olazabal Rebelo Valente
Luís Roque de Pinho Patrício

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[6]
Alternate
Carlos Luís Oliveira de Melo Loureiro

Audit and Internal Control Committee

Chairman
Ruy Octávio Matos de Carvalho[7]
Members
Alfredo Rezende de Almeida
Edgar Alves Ferreira
Ignacio Alvarez-Rendueles
Mário Leite da Silva

Company Secretary

Member in office
João Avides Moreira
Alternate
Fernando Leite da Silva

1) Allianz Europe, Ltd. has appointed Mrs. Carla Bambulo, under the terms of Article 390 (4) of the Companies Act (CA), to hold this directorship.
2) Presented his resignation on 25 June, with Lluís Vendrell Pí being co-opted until the end of the current term of office, as communicated to the market on 29 July 2015. Lluís Vendrell Pí is waiting for the registration at the Bank of Portugal, in terms of article 69 of the General Regime for Credit Institutions and Financial Companies.
3) CaixaBank, S.A. designated Isidro Fainé Casas to represent it in this position.
4) Arsopi-Holding, SGPS, S.A. nominated Armando Leite de Pinho to represent it in the exercise of this office.
5) Violas Ferreira Financial, S.A. nominated Edgar Alves Ferreira to represent it in the exercise of this office.
6) Deloitte & Associados, SROC, S.A. nominated António Marques Dias to represent it in the exercise of this office.
7) Member not forming part of the Board of Directors.

Shareholders

Shareholders structure

At 30 June 2015 Banco BPI's capital was held by 20 281 Shareholders, of whom 19 797 were Individuals owning 11.2% of the capital, while 484 institutional investors and companies owned the remaining 88.8% of the capital.

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

Shareholders	No. of shares held	% of capital held[1]
CaixaBank, S.A. [1,2]	642 462 536	44.10%
Santoro Finance – Prestação de Serviços, S.A. [3]	270 643 372	18.58%
Allianz SE [4]	122 744 370	8.42%
Violas Ferreira Financial [5]	39 063 392	2.68%

Note: Shareholder positions recorded at 30 June 2015 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários.

1) According to a statutory provision, for counting purposes the voting rights are limited to 20%.
2) The stake held through Caixabank, S.A. ("CaixaBank"), is also imputable, as of 30 June 2015, to Criteria CaixaHolding, S.A.U., which holds 56.71% 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.
3) Directly held by Santoro Finance – Prestação de Serviços, SA ("Santoro Finance"), and imputable, in terms of article 20(1)(b) of the SC, to Santoro Financial Holdings, SGPS ("Santoro"), as owner of the entire capital of Santoro Finance, and to Eng. Isabel José dos Santos, in her capacity as shareholder of Santoro Financial Holdings, SGPS.
4) Indirect stake held by subsidiaries controlled by Allianz SE, holding of Allianz Group, and imputable, in terms of article 20(1)(b) of the SC; direct shareholding of 8.27% 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)..
5) 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.

There are no special rights attributed by the Statutes to shareholders, with the result that there are no shareholders with special rights.

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 30 June 2015, a group of shareholders who jointly are here designated as Arsopi[6], held stakes that, when aggregated, amounted to 2.07% of the share capital of Banco BPI. At the same date, Nors Group[7] (formerly Auto-Sueco, Lda.) had 1.52% of the Bank's capital.

6) At 30 June 2015, companies controlled by the director Armando Leite de Pinho held 7 856 695 shares representing 0.54% of BPI's capital. Persons related by family ties and companies linked to them owned holdings which, added to the abovementioned, totalled 30 109 237 shares representing 2.07% 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.
7) Participating interest held via Norsocia SGPS, S.A. and Ascendum España S.L., held, as of 30 June 2015, respectively, at 100% and 50% by Nors Group (formerly Auto-Sueco, Lda.). These companies had as of 30 June 2015, 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

Financial structure and business

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

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

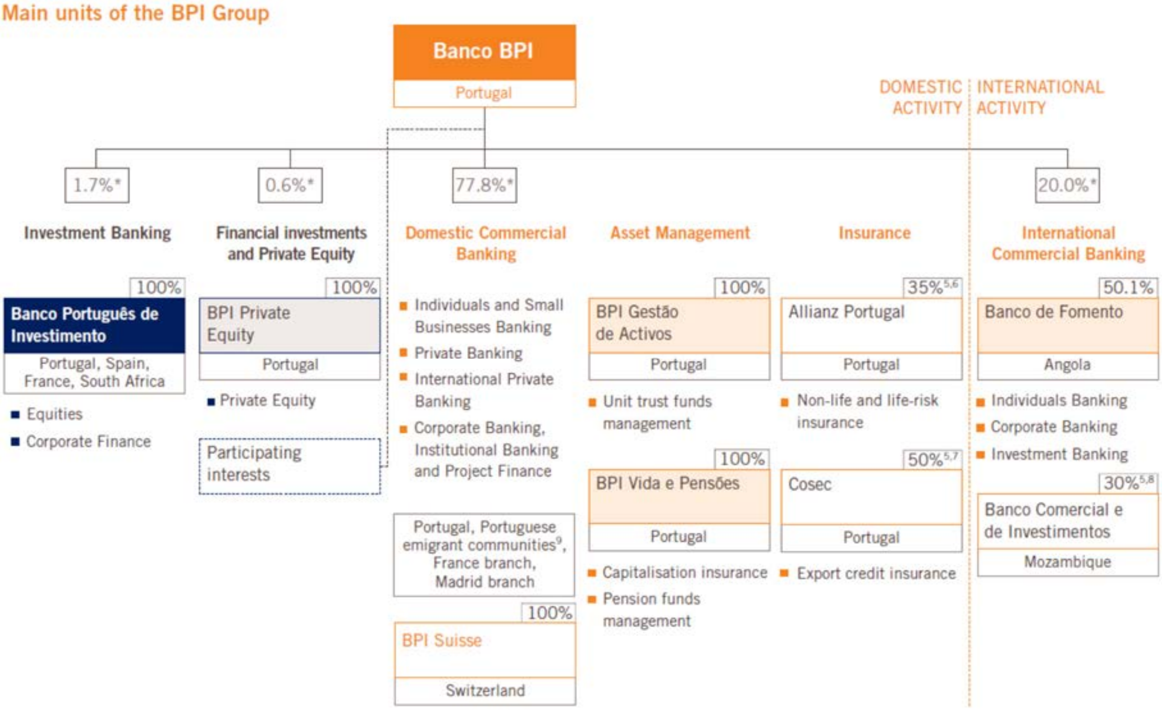
At 30 June 2015, 80% of the Group's Shareholders' equity was allocated to domestic operations[1], and the remaining 20% to international activity.

Leading indicators by business segment
At 30 June 2015

Amounts in M.€

	Domestic activity	International activity	Consolidated
Net total assets [2]	33 575	7 859	41 434
Loans to Customers[3] and guarantees	25 405	1 986	27 391
Total Customers resources	28 570	6 711	35 281
Business turnover[4]	53 975	8 697	62 672
No. of Customers (th.)	1 765	1 359	3 124
No. of Employees	5 952	2 580	8 532
Distribution network (no.)	649	188	837

Main units of the BPI Group



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

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

Distribution channels

In Portugal and Europe

Banco BPI

546
TRADITIONAL BRANCHES

39
INVESTMENT CENTRES

52
CORPORATE CENTRES

1 413
ATM (AUTOMATIC BANK)

30 113
POINTS OF SALE (ACTIVE)

27 885
COMMERCIAL PARTNERS

12
BRANCHES (PARIS BRANCH)

INTERNET BANKING
(active users)

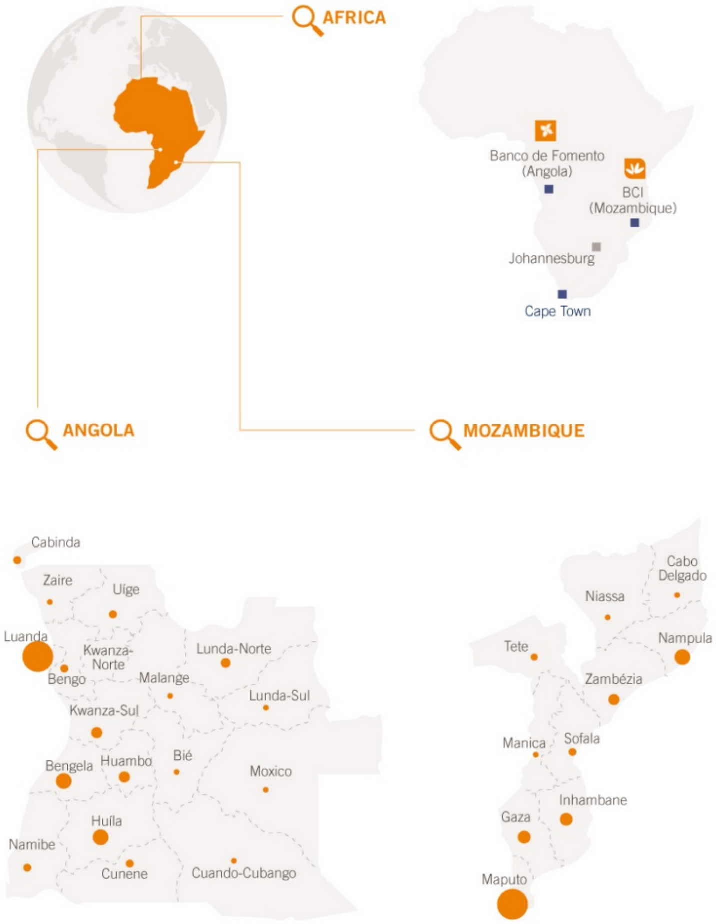
804 962
BPI NET

105 426
BPI NET EMPRESAS

TELEPHONE BANKING
(active users)

444 118
BPI DIRECTO

In Africa



	Banco de Fomento (Angola)	BCI (Mozambique)
TRADITIONAL BRANCHES	163	147
INVESTMENT CENTRES / EXCELLENCE CENTRES	9	21
CORPORATE CENTRES	16	1
ATM (AUTOMATIC BANK)	376	517
POINTS OF SALE (ACTIVE)	7 540	7 093

INTERNET BANKING
(active users)

	522 144 BFA NET PARTICULARES	58 589 E-BANKING PARTICULARES
	11 010 BFA NET EMPRESAS	10 112 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).

Human resources

The workforce allocated to the domestic operations fell 3.5%, numbering 5 952 employees at the end of June 2015.

In international operations, in Angola, the workforce grew by 5.1% (+124 employees) relative to June 2014. At the end of June 2015, Banco de Fomento Angola's workforce stood at 2 559 employees, representing around 30% of the total employees of BPI Group.

BPI Group Employees

		End of period figures				Average figures		
		Jun.14	Dec.14	Jun.15	∆% Jun.14 / Jun. 15	1st half 14	1st half 15	∆% Jun.14 / Jun. 15
Domestic activity								
Banco BPI	1	5 754	5 641	5 643	(1.9%)	5 828	5 645	(3.1%)
Banco Português de Investimento	2	142	56	53	(62.7%)	143	54	(62.2%)
Other subsidiary companies	3	65	61	67	3.1%	65	64	(1.5%)
Subtotal – activity in Portugal [1] [= Σ1 to 3]	4	**5 961**	**5 758**	**5 763**	(3.3%)	**6 036**	**5 763**	(4.5%)
Overseas branches and representative offices	5	205	204	189	(7.8%)	205	200	(2.4%)
Subtotal – Domestic activity [= Σ4 + 5]	6	**6 166**	**5 962**	**5 952**	(3.5%)	**6 241**	**5 963**	(4.5%)
International activity								
Banco de Fomento Angola	7	2 435	2 526	2 559	5.1%	2 438	2 534	3.9%
BPI Capital Africa		14	14	17	21.4%	14	13	(7.1%)
Financial services Moçambique		4	4	4	0.0%	4	4	0.0%
Subtotal – International activity [1] [= 7]	8	**2 453**	**2 544**	**2 580**	5.2%	**2 456**	**2 551**	3.9%
Total [1] [= 6 + 8]	9	**8 619**	**8 506**	**8 532**	(1.0%)	**8 697**	**8 514**	(2.1%)

1) Includes fixed-term contracts and excludes temporary employment of persons with no binding work contracts with BPI. At 30 June 2015, the number of Employees with fixed-term contracts in Portugal stood at 34 and in overseas operations was situated at 5. In average terms, in the first half 2015, the number of Employees with fixed-term contracts in Portugal reached 27 and in overseas operations amounted to 4.

Background to operations

GLOBAL AND EUROPEAN ECONOMY

In July the International Monetary Fund revised slightly downwards its forecasts for global economic growth in 2015 to 3.3%, marginally below the preceding year's performance. It anticipates a gradual acceleration in the developed economies while the emerging and developing economies should post a slight slowdown. The cooling down of activity in the first three months of the year, which surprised on the negative side and was primarily concentrated in North America, explains the slight worsening of the global scenario. However, the principal catalytic factors spurring stronger growth in the developed economies continue to be present; namely the amply accommodative monetary policies, more neutral budget policies in the euro zone, much lower crude oil prices, the improved confidence levels and labour markets. The emerging economies remain constrained by structural factors, by the rebalancing of the economy in China and by the less favourable global financial conditions. Nonetheless, the revival in growth in certain of the leading emerging economies warrants the expectation of an acceleration in the global upturn in 2016.

Economic activity in the group of countries belonging to the Economic and Monetary Union recorded 0.4% growth in the first three months of the year, accelerating vis-à-vis the 0.3% observed in the previous quarter. When measured on a year-on-year basis, GDP rose by 1% following on from the 0.9% posted in 4Q14. The upswing in economic activity in the region appears to be taking place at a brisk pace, and extends to the various sectors of activity. However, the events occurring at the end of the half-year involving Greece and the doubts surrounding its continuity in the EMU could have consequences, in particular as regards confidence and the return to more cautious attitudes, which if they materialise could retard the recovery. The IMF expects GDP to advance 1.5% in 2015, accelerating to 1.7% in 2016.

Monetary policy remains accommodative

In the first six months of 2015, monetary policies in the developed economies did not change, maintaining their accommodative stance. Despite the high degree of uncertainty – to a large extent bearing in mind the economic and political situation in the euro zone, but also signs that growth in the USA will fall short of that initially projected -, there is a strong probability that the positioning of certain of the major monetary authorities will change by the end of the year.

European Central Bank more expansionist

With the objective of expanding the size of its balance sheet, the ECB announced at the beginning of the year an extended programme for the purchase of long-term assets that involves the purchase of 60 billion euro (th.M.€) of private and public debt. The acquisition of private debt included programmes for the purchase of covered bonds and ABS, already initiated in 2014. The public-debt acquisition programme absorbs a major portion of the 60 th.M.€, amounting to some 40 th.M.€ per month. The programme should end by September 2016, although it may in any event be extended until the inflation trajectory returns to the 2% target.

At the end of June, asset purchases by the ECB amounted to 331 th.M.€, of which 193.9 th.M.€, that is, 58.5% of the total, are public debt purchases (in line with the programme). At the same time, purchases of Portuguese public debt were situated at 4.5 th.M.€, equivalent to 2.3% of the ECB's total purchases and to 2.3% of Portuguese public debt with a maturity of more than 2 years. The average maturity of Portuguese public debt purchased by the ECB is 10.6 years.

In addition to the buying of public debt, the ECB carried out two liquidity-provision operations directed at the loan market, placing 97.8 th.M.€ in the one realised in March and 73.8 th.M.€ in the June operation. Taking the four operations carried out up until now as a whole, the ECB placed 384 th.M.€. The average amount of the liquidity provided by the Eurosystem at the end of June was 411 th.M.€. In this context, in the first half of the year the surplus liquidity increased to levels close to 400 th.M.€, that is, practically double that registered at the end of 2014, which was mirrored in the decline in short-term interest rates. At the end of June, the 3-month Euribor rate was situated at -0.016%. It should be added that the ECB's balance sheet expanded to 2.5 billion euro, 0.4 billion more than at the start of the year, suggesting that the objective of expanding the size of the balance sheet to 3 billion euro by the end of the programme is feasible.

The behaviour of a set of indicators throughout the first half of 2015 indicates that the adoption of a quantitative easing programme by the ECB has been producing the desired effects. Of these one can highlight the widespread improvement in financing conditions to the economy and the improved inflationary expectations. As concerns the first-mentioned, one can cite the behaviour of the compound loan costs indicators calculated by the ECB, and which are based on the IMF's interest rates statistics, taking into consideration the credit volumes with the moving average of the financing costs of non-financial companies, both short and long term. Indeed, in May the financing cost of non-financial companies calculated by the ECB was situated at 2.24%, which compares with 2.91% in the corresponding period last year. In addition, the behaviour of credit advanced to the private sector in the euro zone has been improving, having registered in May year-on-year growth of 1% vs. 0.8% in April and 0.4% in March. This trend also reflects a greater dynamism in loans to individual, but there were also slight improvements in the behaviour of lending to non-financial companies: when corrected for securitisation operations, we observed a 0.1% advance in May (excluding the securitisations there was still a contraction of 0.3%).

In the price behaviour arena, the information available up until June suggests that the risk of the materialisation of a deflationary scenario is now virtually nil, with the CPI not being in negative territory since April. In addition, there has been an improvement in several indicators which assess inflationary expectations, including in the swaps market (5-year rates) and in consumers' inflationary expectations calculated by the Commission.

The key refinancing rate is situated at 0.05% and the permanent deposit facility rate at -0.20%, with no change projected for next year.

Federal Reserve

In the first half of the year, the Federal Reserve kept its monetary policy unchanged, that is, the fed funds rate continued to be situated within the 0-0.25% band, and pursued the programme of public debt rollover, of real-estate agencies and of ABS. In this manner, this monetary authority maintains the size of its balance sheet close to the levels observed in October 2014 when the quantitative easing programme ended. The decision to roll over the long-term debt portfolio reflects the Federal Reserve's concern to maintain the accommodative bias of its policy, continuing to contribute to the high level of liquidity, thereby maintaining its clear support for activity on the financial markets. In fact, this continues to be an important aspect of the Federal Reserve's monetary policy, which at the June meeting reaffirmed its intention to continue with the rollover policy after the start of the cycle of the benchmark interest rate's normalisation.

In light of the economy's good performance, the Federal Reserve has been indicating that the about-turn in the interest-rate cycle will occur close towards the end of 2015, keeping however its decision dependent on the trend in the economic indicators, giving special importance to the behaviour of the labour market and the rate of price increases. Other factors that could trigger the start of the cycle of normalising interest rates are related to the performance of the global financial markets.

At the June monetary policy committee meeting, the Federal Reserve reviewed the macroeconomic scenario, anticipating a GDP growth in 2015 of between 1.8-2%, below the March levels, which pointed to a growth rate of 2.3-2.7%. In 2016, the prospects are that growth will accelerate to 2.4-2.7%. As regards the inflation rate, the Fed continues to forecast that in 2015 the inflation rate will stabilise at 0.6-0.8%, accelerating to 1.6-1.9% in 2016 and to 1.9-2% in 2017. Finally turning to the unemployment rate, the projections are that this year it will be situated at 5.2-5.3%, (vs. 5.0-5.2% in March). In view of this scenario, the Chairman of the Federal Reserve referred to the Committee's expectation of raising the fed funds still this year. Meanwhile, the upward movement should be gradual in such a manner that the stance of the monetary policy remains accommodative. The gradualism of the movement is clear in the levels presented for the benchmark rate at the end of 2016 and 2017: 1.75% and 2.75%, respectively.

PORTUGUESE ECONOMY

Gross Domestic Product posted an expansion of 1.5% y/y in the first quarter of 2015, accelerating relative to the +0.6% observed in the preceding three months. Domestic demand continued to expand at a brisk pace, as borne out by the 8.4% increase in Gross Fixed Capital Formation, extensive to all segments, with special mention of the investment in Construction, which grew 8.5% y/y, interrupting an uninterrupted decline since the close of 2007. Meanwhile the reduction in stocks offset this globally positive effect, with the result that the investment component ended up recording a nil contribution to GDP. It is also worth noting that the improvement in the terms of trade, fruit of the direction of oil prices and exchange rates, explained the positive contribution of net exports.

The economic data already known relating to the behaviour of the external accounts in the first half of the year suggest that this favourable trend should continue notwithstanding the effected induced by the recovery in domestic demand. In the first quarter, the economy registered a financing capacity of 2% of GDP vis-à-vis the exterior, virtually stable since the levels recorded in 2014. Moreover, the balance on the goods and services account improved by some 360 million euro in the period January to April when compared with the same period a year ago. It is worth highlighting goods exports, which rose by 4.9% y/y in the period January to May despite the contraction in exports to Angola (25% lower), thus evidencing the export sector's resilience.

As concerns the State's accounts, in the first quarter the Public Administration's (PA) financing requirements decreased 0.1 p.p., to 5.8% of GDP when compared with the previous quarter. This result falls substantially short of the 2.7% target for the PA's deficit at the end of 2015. In spite of the good execution of tax collections and the habitual unfavourable bias of the PA's balance in the first months of the year as a result of accounting criteria, this result requires some caution, above all with respect to the monitoring of the Public Spending items. Insofar as Public Debt is concerned, in March 2015 it was situated at 129.6% of GDP (Maastricht perspective)[1], down relative to the highest figure of 132.2% of GDP recorded in September 2014.

[1]) Source: Bank of Portugal.

The inflation rate returned to positive figures in the first six months of 2015 (0.8% y/y in June), translating into a zero change in annual average terms in June, rebounding from the -0.3% observed in December. This trend is extensive to the EMU and derives in part from the more favourable financial conditions, amongst which the currency's depreciation.

The labour market maintains its favourable behaviour, although more sluggish than that of the recent past, possibly reflecting the more pronounced impact of the public policies directed at boosting employment. In reality, according to NSI data, the unemployment rate in May was situated at 13.2%, 0.4 p.p. higher than the April figure. However, in y/y terms the jobless population fell by 9%, at the same time as employment maintained its positive trend.

Outlook for 2015

In June the Bank of Portugal maintained its forecast for the direction of economic activity in 2015, estimating that GDP will rise 1.7%, reinforcing slightly the anticipated contribution from domestic demand to 1.1% (1% before) and revising marginally downwards the projected contribution from net exports to +0.6%. The monetary authority expects that the acceleration in the pace of economic growth will take place simultaneously with the continuing correction of certain imbalances. The trend in transfer of productive resources to the tradables sector should continue, maintaining the external financing capacity and the trend in the declining levels of external borrowings. It is also hoped that the growth in private domestic demand does not jeopardise the downward movement in the sector's indebtedness levels. The economy's greater nominal growth, the maintenance of historically low interest rates and the existence of positive larger positive primary balances should permit the start to the process of reducing public debt as a percentage of GDP. Finally, the Bank of Portugal affirms that the Portuguese economy's projected growth is compatible with the progressive decline in the unemployment rate notwithstanding its persistence at high levels.

Financial system

In 2015, the banking system's assets continued along a downward trajectory, albeit slight, to total around 427 th.M.€ (equivalent to 250% of GDP) at the end of 1Q15, which compares with roughly 532 th.M.€ (300%) in 2010. In this context, the transformation ratio remained at 107% in March, identical to the 2014 figures (133% in 2010), reflecting the expansion of the deposits base whilst the credit aggregates continue to contract. The net recourse to central banks' funding fell to 29 th.M.€ at the end of May, which compares with 31 th.M.€ in December 2014. This demonstrates a stabilising trend, a reflection of the uncertainty pervading the international financial markets fuelled by the Greek debt crisis.

Loans

According to Bank of Portugal data, loans to the non-monetary sector (excluding Public Administration) adjusted for securitisation operations, retreated 4.3% in April when compared with the same period last year, with the rate of the drop slowing down when compared with December (-5.2%). This behaviour was also witnessed in lending to individuals (-3.6% y/y in April) and to non-financial companies (-5.1% in the same period). Meanwhile, loans to the Public Administrations' sector climbed 44% in April, which situation explains the behaviour of the domestic credit aggregate which only registered an overall contraction of 1.6%.

In the 1st quarter of 2015, the credit-at-risk ratio rose to 12.3%, reflecting a slight deterioration in default levels in all segments (11.9% in 4Q14), being more pronounced in the non-financial companies' segment (from 19% to 20.2%). The ratio between the stock of impairments and gross loans rose marginally, from 7.7% in 2014 to 7.8%.

Deposits

Deposits in the non-financial private sector continue to present a positive trend, expanding on average by 1.9% in the first four months of the year. This trend was also observed in individuals' (+0.7%) and companies' deposits (+7.2%), with both segments displaying dynamism in sight deposits.

Financial markets

Deflationary fears in the euro region and the prospect of divergent monetary policies impacted the main financial variables in the early months of the year. On the other hand, after the launching of the quantitative easing cycle by the ECB in the middle of March, the second quarter was characterised by the dilution of the risk of deflation and by the escalating risk of Greece's exit from the EMU, culminating in the holding of a referendum at the beginning of July and the acceptance of an interim loan associated with conditionality.

On the currency market, the perception of the time lag relating to the EMU's economic cycle and the implementation of unconventional methods by the ECB explain the European currency's downward trajectory: up until June the euro depreciated by about 11% in actual average terms, registering in April a minimum of slightly below 1.05 against the USD. Close towards the end of the half-year, the principal exchange rates moved sideward, accompanied by increased volatility in a market increasingly dominated by the uncertainty surrounding the outcome of the dispute between the Greek Republic and its creditors. Already in the early stages of the second half of the year, the dissipation of the risks in Europe and the increased probability of the imminent change in the Federal Reserve's interest rates in the USA once again boosted the dollar's positioning.

In the euro money market, the negative interest rates began to progressively include the yield curve's longer-dated maturities, extending to the 3-month maturity. This movement occurred with the placing of the ECB's absorption rate at -0.2% in September 2014, reflecting also the supply of ample liquidity to the financial system. In July, with the dilution of the risks associated with Greece and the market's normalisation, there are some signs of stabilisation and even a very slight rise in 1-year interest rates.

The public-debt market also witnessed a dichotomous behaviour during the course of the first six months. Up until April, the trend was the consecutive decline in the yields on the benchmark markets: by way of example, the 10-year Bund's implicit rate sank to a low of 0.077% in April. Since then, notwithstanding the volatility engendered by the events linked to Greece, the trend has been upwards, returning to the levels which are more consentaneous with the nominal growth rate and the respective maturity risk, even though lingering at historical lows (below 1%).

In the so-called periphery countries – which include Portugal – the second quarter was marked by the deterioration in the risk premiums vis-à-vis the German debt, which is essentially due to the re-appraisal of the risk perception associated with Greece on the part of investors. However, this movement was extremely gradual, which in large part reflects the support given to the European Central Bank's long-term asset buying programme, as well as the continuation of the process involving the correction of certain existing imbalances, reducing those economies' exposure to adverse external shocks.

In Portugal, the 10-year T-Bond yields were quoted within the 1.53-3.22% band, to be situated in the early stages of July at around 2.6%. In view of the Republic's lower financing costs and thanks to the liquidity cushion, the authorities decided to bring forward the partial payment of the loans falling under the Economic and Financial Assistance Programme (Programa de Assistência Económica e Financeira - PAEF), namely the portion relating to the IMF of 26.4 billion euro. By 2017, 14 billion euro will be repaid, of which some 8.4 th.M.€ has already been repaid, roughly 30% of the IMF's total loan to Portugal.

Equities market

Global context

The first half of 2015 was marked by signs of economic recovery in the United States and Europe, but also by the uncertainty relating to Greece's future in the euro zone and the risks for the other European periphery countries (mirrored in the greater volatility of the sovereign yields). In this context, the key Stoxx Europe 600 stock market index closed the half-year with a gain of 11%, whilst the S&P500 – principal North American index – ended the period at close to the levels noted at the end of 2014.

Portugal and Spain –secondary market

In Portugal, the benchmark PSI20 index closed the first six months with a 16% advance. The 38%, 37% and 28% increases in the share prices of Jerónimo Martins, NOS and Galp, respectively, were the chief factors behind this performance. However, the total trading volumes fell 25% relative to the previous year to 15 th.M.€ , reflecting in large measure the resolution of BES in 2014 and the ensuing events at Portugal Telecom. In Spain, the IBEX35 index was up 5%, with the main features being the 23% and 12% gains respectively in Inditex and BBVA shares. Volumes climbed by 21% to 438 th.M.€, benefiting from the improved prospects for the Spanish economy and the increase in the number of quoted companies. This trend compares with the higher trading volumes in the global indices Stoxx Europe 600 and S&P 500 of 31% and 18%, respectively.

Portugal and Spain – primary market

Contrary to what happened in the first half of 2014, in which period the primary market was characterised by a large number of transactions, the first half of 2015 was marked by an absence of operations.

This situation contrasts with that of the Spanish market, which saw the realisation of five IPO operations on the Continuous Market (AENA, Saeta Yield, Naturhouse, Talgo and Cellnex) (ex-real estate). Worth noting due to its size was the privatisation of AENA (in the amount of 3.8 th.M.€) and the spin-off of Cellnex by Abertis (for a figure of 1.9 th.M.€).

Also worth highlighting was Telefónica's capital increase with subscription rights in the amount of 3.0 th.M.€, and Banco Santander's 7.5 th.M,€ capital increase, an operation carried out by means of the accelerated placing mechanism (ABB) and without subscription rights. In the Real Estate sector, there were two capital increases (Merlin Properties, totalling 0.6 th.M.€; and Axiare, totalling 0.4 th.M.€).

ANGOLAN ECONOMY

Economic activity

The maintenance of oil prices on the international market at low levels affected economic activity in Angola in the first half of 2015, underscoring the need to accelerate the diversification process. In average terms, in the first six months of the year the price of a barrel of Brent on the international market traded at around 59 USD, practically half the value observed in the same period a year ago. In view of the significant drop in export revenues (-43.5%), it was necessary to revise the State General Budget, synchronising the level of public spending to the expected decline in tax revenue. In simultaneous and in light of the deterioration in the external balance and the fall in foreign reserves, the currency depreciated by some 22% up until July, triggering higher inflation which was reflected in a more restrictive monetary policy.

In this particularly adverse context, the prospects for growth have been revised downwards. The latest official forecasts[1] point to Gross Domestic Product (GDP) growth of 4.4% in 2015, reflecting the oil and gas sector's real growth of 7.8% and of 2.9% in non-oil activities, Should this be confirmed, this scenario implies only a slight deceleration compared with the estimated 4.8% in 2014, but the most recent official projects are similar to the IMF's scenario, which forecasts an expansion of only 3.5% for GDP this year, even though they are more optimistic than the scenario projected by the OECD/African Development Bank : these point to growth of 3.8%.

In sectorial terms, according to the official scenario crude-oil activity should be underpinned by the favourable behaviour of the energy (12%), manufacturing (3.5%) and construction (3.5%) sectors. The information currently available confirms the oil and gas sector's favourable behaviour: average output in the first half-year was situated at 1.78 mbd, roughly 7.9% higher than the figures noted in the same period last year and thus enabling a partial accommodation of the steep drop in prices. Conversely, in the remaining sectors the confidence indicators disclosed by the NSI suggest a slowdown.

External sector

The Current Account balance closed 2014 with a deficit of 2.9% of GDP according to official estimates. In the first quarter of 2015, the goods balance contracted 84% relative to the same period last year, reflecting the downswing in export revenues (-49%) being offset by a minor decline in commodity imports, -0.8%.

1) BNA – Inflation Report I Quarter 2015.

Economic indicators and forecasts

	2010	2011	2012	2013	2014E	2015F*
Real Gross Domestic Product growth (yoy, %)	3.4	3.9	5.2	6.8	4.8	4.4
Oil sector	(3.0)	(5.6)	4.3	(0.9)	(2.6)	7.8
Non-oil sector	7.8	9.7	5.6	10.9	8.2	2.9
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	10.4
Fiscal balance (% of GDP)	3.4	8.7	4.6	0.3	(3.1)	(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 millions of USD, end of period)	17.3	26.1	30.6	30.9	27.3	19.3
Average exchange rate (AKZ/USD)	91.9	93.7	95.3	96.5	98.3	n.a.

* Note: For 2015, the most recent official projections for each one of the variables are included.
Source: BNA, INE, Angolan Min. Finance.

Net foreign reserves maintained their downward trajectory, standing at 25.6 billion dollars in May, down 16% year-on-year. The drop in export revenues against a backdrop of a steep fall in oil prices on the international markets is behind this trend, even though the implementation of proactive measures by the monetary authority – restrictions on withdrawals and transactions in foreign currency, currency devaluation, search for alternative external financing – helps to counter this tendency. According to BNA data, despite the decrease, the imports cover ratio was situated at 7.3 months in March, above the levels attained in the 2009 crisis.

Public accounts

According to the latest Ministry of Finance estimates, the 2014 budget balance should be situated at -6.5% of GDP when compared to the budgeted deficit of -4.9%. According to still preliminary information, oil revenues retreated 29.4% but their impact on total receipts was partially offset by the 24.8% increase in tax receipts from the other sectors, with special mention of the taxes on external trade (43.6% higher) and Other taxes (+22.1%). As a whole, receipts were down only 6.4%, which bears testimony to the drive aimed at diversifying the tax base. On the other hand, total public spending was up 21% for the year as a whole, with current expenditure shrinking 2.4% and public investment rising 14.4%. It is worth mentioning the increase in the weight of public debt interest, 55.9% higher.

The provisional execution in the first quarter of 2015 points to a decrease in the budget balance to 1.2% of GDP, reflecting the 33.2% drop in receipts when compared with the same period last year, with special mention of the y/y decline in tax receipts from the oil sector, -40.7%. On the expenditure side, the public spending caption fell sharply, down 71% y/y. It should be noted that the overall balance improved relative to the same period last year, notably the improvement in the non-oil primary balance, to -2% of GDP, compared with -5.5% in 1Q14.

In 2014, according to the Ministry of Finance, the Treasury's funding gave priority to the issue of T-Bonds in local currency (roughly 47% of the total) and Treasury Bills (51%), with the remainder funded through T-Bonds in foreign currency (only about AKZ 13.21 billion). As regards to T-Bonds-LC, 40% of the roughly USD 4.5 billion were issued with maturities of 2 years, with the remainder split between maturities of 3, 4 and 5 years. Treasury Bill issues totalled USD 4.91 billion, primarily with 1 year maturity. In December the T-Bonds LC represented 68% of the stock of public debt securities, Treasury Bills 20% and T-Bonds in foreign currency 12% out of a total of 1 883.6 billion kwanzas, equivalent to some USD 17 billion.

Inflation and interest rates

In the first half of 2015 monetary policy assumed a less accommodative stance, with the BNA raising its benchmark rate at the meetings of the Monetary Policy Committee of March (+25 b.p.) and June (+50 b.p.) to 9.75% at the end of June. Simultaneously, the remaining instruments were also adjusted, with the Permanent Liquidity Supply Facility being situated at 10.5% and the mandatory reserves coefficient at 25% at the end of June.

The more restrictive posture of monetary policy arises against a backdrop of the currency's depreciation and mounting inflationary pressure. Indeed, the inflation rate reached 9.61% in June year-on-year, rising above the BNA's target for the first time since mid-2013, according to which the consumer price index should fluctuate within the 7% to 9% band. Besides the impact of the currency's depreciation via the higher prices of imported products, this rise also reflects the phased cutback of subsidised fuel prices initiated in September 2014.

Banking sector

At the end of May, total lending to the economy registered a 3.7% decrease, reflecting the market contraction of loans advanced in foreign currency (down 26% y/y), notwithstanding the kwanza's depreciation. Loans in local currency posted in the same period a 7.7% increase. In this context, the increased weight of loans in kwanzas has continued, representing in May some 74% of the total loans granted. At the same time, private sector deposits recorded a 12.6% change year-on-year. It is worth pointing out, however, the drop in deposits denominated in foreign currency - 14.5% less.

The transformation of deposits into loans rate declined from 61.2% in December 2014 to 52.2% in May.

MOZAMBIQUE ECONOMY

Economic activity

The Mozambique economy continued to present a positive performance during the first half of 2015, maintaining a robust growth rate, spurred essentially by the development of investment projects in the extractive industry sectors. Meantime, at the start of the year, Mozambique was once again plagued by adverse climatic conditions which impacted certain activities. In fact, according to data from the National Statistics Institute (NSI), in the first three months of the year the GDP annual rate of change slowed to 5.9%, after having posted growth rates in excess of 7% in the preceding 3 quarters, even though, when compared with the same period a year ago, growth had been higher by 0.2 percentage points. The expansion in activity was transversal to all the sectors, with the mining sector once again stealing the limelight (+16.6% y/y). However, having surmounted the above-mentioned setback at the beginning of the year, the expansion in economic activity is expected to surprise positively to the extent that important advances are expected to occur in the construction of the Liquefied Natural Gas (LNG) factory, which constitutes one of the largest investment projects in Africa and with the potential to make Mozambique one of the world's biggest LNG exporters. The IMF estimates that Mozambique will continue to be one of sub-Saharan Africa's most dynamic economies, with GDP projected to rise again to the 7% mark in 2015.

External sector

Foreign direct investment inflows decreased in 2014, reflecting the investment cycle of companies in the gas sector and the behaviour of raw material prices (in particular coal), but it is expected that these investment flows will be able to recover in 2015, considering the new dynamism in the mega-projects sectors. In this manner, the current account deficit should remain high, although essentially funded by foreign direct investment. Provisional data for the current account in the first quarter point to a deterioration in the deficit relative to the same quarter last year to USD 1.2 billion, explained by the decline in the inflow of secondary income (under which heading capital gains are recorded and which in the same quarter last year attained a historically high level). In the meantime, the amount of foreign reserves decreased in the early months of the year in light of the pressure on the exchange rate, but remain at adequate levels (roughly 4 months of imports not related to the mega projects).

Public accounts

The government should adopt fiscal consolidation measures in 2015 following a significant deterioration in the public accounts in 2014. According to the 2015 State General Budget, the government intends to place public spending on a more comfortable trajectory, by means of a reduction in salaries and investment. It is to be noted in this context that the increase in spending in the previous year was partially permitted by the inflow of extraordinary receipts from the capital gains related to the sale of the participating interests in the gas consortia. But even so, the budget deficit climbed to a level regarded as being excessive (above 10% of GDP), with the result that an adjustment in the public finances in order to stabilise the public debt ratio appears to be necessary.

Financial sector, loans and deposits

The inflation rate rose in the first two months of the year. This can be ascribed to the higher food prices in the wake of the floods. Soon afterwards, this trend reversed course, with the correction of the prices of foodstuffs leading to a negative monthly rate of change in the Consumer Price Index. In this manner, the level of price increases remains contained and below the target of 5.1% set by the government in the 2015 Social and Economic Plan. However, the central bank has opted to hold its monetary policy benchmark rates unchanged to the extent that the expansionist monetary policy, together with the metical's depreciation against the North American dollar and the South African rand, can also explain a rise in the inflation rate in the remaining months of the year. The rate of lending expansion to the private sector remained robust, having posted 24% growth in May 2015 relative to the same period a year ago, while deposits climbed by 22.3% in the same period. The transformation of deposits into loans ratio remained relatively stable at above 80%.

Domestic operations

INDIVIDUALS AND SMALL BUSINESS BANKING

In the first six months of 2015, Individuals and Small Business Banking oversaw 1 688 thousand accounts, 2.6% more than June 2014, being responsible for a portfolio of Customer resources of 23 981 M.€ and for a Loans and guarantees portfolio of 13 228 M.€. During the period, 52 thousand new accounts were opened.

CUSTOMER RESOURCES

At 30 June 2015, Individuals and Small Business Banking's Customer resources totalled 23 981 M.€ reflecting a 1 050 M.€ increase +4.6% relative to June 2014.

Individuals and Small Business Banking
Customer resources

Amounts in M.€

		30 Jun.14	31 Dec.14	30 Jun.15	Δ% Jun.14 / Jun.15
Sight deposits		3 782.4	4 184.9	5 263.2	39.1%
Time deposits		10 932.9	10 564.0	9 413.1	(13.9%)
Bonds and structured products[1] placed in Customers		536.2	584.0	899.7	67.8%
PPR [2]		1 139.5	1 208.2	1 126.8	(1.1%)
Insurance capitalisation[3]		2 230.0	3 259.8	3 703.1	66.1%
On-balance sheet resources	[∑ 1 to 5]	**18 621.0**	**19 801.0**	**20 405.9**	**9.6%**
Unit trust funds		1 143.8	1 088.8	1 000.4	(12.5%)
PPR [4]		647.8	646.9	778.3	20.2%
Off-balance sheet resources	[7 + 8]	**1 791.6**	**1 735.7**	**1 778.6**	**(0.7%)**
Sub-Total		**20 412.6**	**21 536.7**	**22 184.5**	**8.7%**
Public Subscription Offerings		1 055.6	860.4	423.3	(59.9%)
Other Customer securities [5]		1 463.1	1 272.5	1 373.5	(6.1%)
Other Customer Resources	[11+12]	**2 518.6**	**2 132.9**	**1 796.8**	**(28.7%)**
Total	[10+13]	**22 931.2**	**23 669.6**	**23 981.3**	**4.6%**

On-balance sheet Customer resources expanded by +1 785 M.€ (+9.6%) relative to June 2014. Contributing to this performance were essentially Sight Deposits with +1 481 M.€, Capitalisation Insurance (excluding PPR) with +1 473 M.€ and Bonds and Structured Products placed with Customers with +363 M.€. This trend more than offset the -1 520 M.€ decrease in Term Deposits.

The Bank was active in the dissemination amongst the Customer base of the benefits of diversification against a background of low interest rates, and adapted its product range with the aim of offering solutions with higher potential yields:

- Indexed deposits1 were offered, fixed term deposits with returns only known at the end of the term and dependent upon the performance of a basket of equities. These products permit Customers to invest in guaranteed capital and with the possibility of earning a higher return than the interest rate on traditional term deposits;
- Included in the product range was BPI Multi-Soluções, a capitalisation-insurance product without guaranteed capital, which could have various autonomous funds, enabling the Customer to select his investment profile. Presently there are two autonomous funds available - Multi-Soluções Moderado and Multi-Soluções Dinâmico;

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.

- In a similar manner and with sale at the Investment Centres, the focus continued to be on BPI Capitalização CIs, which allow Customers to select which is the appropriate investment profile in accordance with the desired risk level.

In parallel, the Bank continued to highlight the importance of the periodic instalment plans given that this service facilitates and encourages small savings. Currently there are more than 430 thousand instalment plans associated with Savings Accounts, Capitalisation Insurance, Unit Trust Funds and PPR (retirement savings plans).

CUSTOMER LOANS

In June 2015 the Individuals and Small Business Customer loans and guarantees portfolio amounted to 13 228 M.€ which corresponded to a decrease of 273 M.€ (-2.0%) relative to June 2014. Loans to individuals decreased by 356 M.€ (-3.0%) while loans directed at sole proprietors and small businesses rose by 90 M.€ (+6.8%).

Since the beginning of 2015, the behaviour of the loans and guarantees portfolio relating to individuals and small businesses evidenced a progressive stabilisation with the moderate recovery in the demand for loans, with the portfolio recording an overall reduction of -0.6% in the period (not annualised).

Individuals and Small Business Banking
Customer loans and guarantees

Amounts in M.€

	30 Jun.14	31 Dec.14	30 Jun.15	Δ% Jun.14 / Jun.15
Loans to individuals				
Mortgage loans[1]	11 227.6	11 022.2	10 891.4	(3.0%)
Personal loans[2]	571.7	554.0	553.0	(3.3%)
Credit cards[3]	149.2	165.2	154.8	3.8%
Car finance	110.8	103.7	103.8	(6.3%)
Loans to individuals	**12 059.2**	**11 845.1**	**11 703.1**	**(3.0%)**
Loans to small businesses				
Commercial loans[4]	1 026.3	1 055.7	1 119.5	9.1%
Equipment leasing	36.3	38.0	43.4	19.4%
Property leasing	263.1	253.4	250.2	(4.9%)
Factoring	3.4	4.9	6.0	76.2%
Loans to small businesses	**1 329.2**	**1 352.1**	**1 419.1**	**6.8%**
Total loan portfolio	**13 388.4**	**13 197.2**	**13 122.2**	**(2.0%)**
Guarantees and sureties	112.3	109.6	105.9	(5.7%)
Total	**13 500.7**	**13 306.8**	**13 228.1**	**(2.0%)**

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 car financing and leasing originated by Individuals and Small Businesses Banking.

Mortgage loans, personal loans and motor car finance

In June 2015, the mortgage loans portfolio amounted to 10 891 M.€, which corresponds to a 3.0% decrease relative to the same month a year ago. The portfolio's contraction slowed in the 1st half of 2015 to -1.2% (non annualised).

The personal loans portfolio was situated at 553 M.€ in June 2015, down 3.3% relative to June 2014. In relation to December 2014, the portfolio contracted -0.2% (non annualised).

It is worth referring to the positive trend in the sale of non-financial products, with 12% growth in the invoicing of products placed. Contributing to this performance were the various campaigns realised with prestigious brands, as well as their promotion at the commercial networks.

The motor-car finance portfolio relating to Individuals and Small Business Banking Customers amounted to 103.8 M.€ at the end of June, which corresponds to a 6.3% decrease relative to the same month last year. The change when compared to December 2014 was a positive 0.1%.

Commercial loans, leasing and factoring

The sole proprietors and small business loan portfolio increased by 90 M.€ (+6.8%) year-on-year.

BPI continues to view as priority sectors the export sector, the agricultural sector and, in a transversal manner, Customers with good risk profiles.

During the first half of 2015, the Bank continued to provide financing to small and medium-sized companies under competitive conditions, with special reference to the PME Crescimento 2014 and PME Crescimento 2015 lines. Under those lines, BPI contracted 1 457 operations with a global value of 69 M.€ with Customers of the Individuals and Small Business network.

As concerns the PME Líder status (Programa Fincresce), BPI continues to assume a leading position, attaining at the end of the 1st half of 2015 a 37% market share, with the granting of 514 statuses, of which 202 are clients of the Individuals and Small Business network.

Also worth mentioning is the support given to innovative companies via the BPI/FEI Inovação II line, the first line executed under the Horizonte 2020 programme.

Turning to the external initiatives organised by BPI, we highlight the events 'Encontro BPI Inovação', aimed at promoting adherence to the PME Inovação network and to present solutions and funding models for innovation, as well as debating the Portugal 2020 and Horizonte 2020 initiatives.

CREDIT AND DEBIT CARDS

In June 2015, Banco BPI had 507 thousand cars placed with Customers, down 4.5% when compared with the same period a year ago. Accumulated billing in the first half of 2015 totalled 481 M.€, corresponding to a +3.1% increase relative to June 2014. The total amount of outstanding debt (portfolio balance) presented a +3.8% rise, totalling 155 M.€ at the end of June 2015.

The total number of credit cards placed with BPI customers was 1 119 thousand at the end of June 2015, corresponding to 2.2% year-on-year growth. Accumulated billing in the first six months of 2015 was 3 115 M.€, which represents a 10.0% increase over the same period a year ago.

Credit and debit cards
Selected indicators

	30 Jun.14	31 Dec.14	30 Jun.15	Δ% Jun.14 / Jun.15
Debit cards				
No. of debit cards at the end of the year (x th.)	1 095.1	1 117.7	1 119.2	2.2%
Billing (M.€)	2 831.3	6 103.3	3 114.7	10.0%
Credit cards				
No. of credit cards at the end of the year (x th.)	530.8	519.0	506.7	(4.5%)
Billing (M.€)	466.6	983.1	481.3	3.1%
Loan portfolio (M.€)[1]	149.2	165.2	154.8	3.8%

SALARY ACCOUNTS

The number of salary accounts with automatic salary domiciliation stood at 368 thousand in June 2015, reflecting a +3.1% increase over the same month last year and continuing the upward trend of recent years.

ISOLATED-SALE INSURANCE

During the course of the 1st half of 2015, the range of isolated-sale insurance was broadened with the launching of the new Public Liability policy, directed at individual and corporate Customers. More than 7 300 of these insurance policies were sold during the first six months of 2015.

At the same time, the focus continued to be trained on the sale of business-related insurance through the dynamic marketing of these products tailored to the Sole Proprietors and Small Business segment. The portfolio of these insurance products posted 18% growth when compared with June 2014.

In overall terms and taking into consideration of isolated-sale insurance, the portfolio registered year-on-year 6% growth.

Isolated-sale insurance
Selected indicators

Amounts in thousands

	30 Jun.14	31 Dec.14	30 Jun.15	Δ% Jun.14/ Jun.15
Individuals	243.4	247.5	255.7	5.1%
Corporates	28.0	30.6	33.0	18.0%
Total	**271.3**	**278.1**	**288.7**	**6.4%**

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

PRIVATE BANKING

At the end of June, BPI Private Banking's business volume was 5 672 M.€, up 15.3% on the figure for the same month the previous year.

Assets under discretionary management and advisory mandates, in the amount of 4 914 M.€, registered a 15.6% increase relative to June 2014, while in this period the volume under discretionary management grew by 144.8%. Stable investments under custody in the amount of 575 M.€, rose by 20.2% in this period. The loan portfolio was situated at 182 M.€, corresponding to a 3.1% decrease relative to June 2014.

Private Banking
Selected indicators

Amounts in M.€

		Jun.14	Jun.15	Δ%
Discretionary management and advisory services	1	4 251	4 914	15.6%
Stable investments under custody	2	479	575	20.2%
Loans portfolio	3	188	182	(3.1%)
Business volume	[= Σ1 to 3] 4	4 917	5 672	15.3%

With the increased volatility on the financial markets, low interest rates and inflation at close to zero in Europe and the expectation of a rise in interest rates in the USA, the focus turned to the presentation of gradual diversification solutions for investment portfolios from the risk and maturity profile perspective, taking into consideration Asset Allocation recommendations according to the risk profile while taking advantage of opportunities in specific products or markets. In addition, the drive to boost international business continued unabated.

As a result, in the 1st half of 2015, there was a decrease in the volumes allocated to Bonds, while on the other hand we witnessed an increase in the investment solutions portfolio, such as unit trust funds and capitalisation insurance, as borne out by the 160.6% increase in standardised capitalisation insurance.

In light of the current financial landscape, it is worth noting the results attained by BPI in terms of discretionary management, which reached 25% of the total assets under management at the end of June 2015, and from the prospecting for new Customers in the 1st half of 2015, which represented 6.3% of the initial Customer base (Dec.14).

It is also worth noting that in the wake of the demerger – merger operation of Banco Português de Investimento, S.A. (BPI) and Banco BPI, S.A. (Banco BPI), realised at the end of last year, Private Banking Clients now have a much larger spectrum of products, common to the BPI Group.

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

BPI maintained a proactive approach in its support for Portuguese companies against a more favourable economic backdrop, as evidenced by the moderate revival in private consumption and investment and the resilience displayed by exports:

- BPI continued to be the leader in the main public programmes: PME Investe/Crescimento, Mutual Guarantee and PME Líder;
- Assisting with candidacies to Portugal 2020, with specific product and service facility and regular information sharing;
- BPI has been supporting innovative companies with the Linha BPI/FEI Inovação II line, the first line in Portugal tailored specifically to Horizonte 2020;
- Reinforced backing to export companies with the launching of specific credit lines - "Trade Credit for Exporters" (in PME Crescimento 2015), and "Angola Internationalisation Line", in tandem with the increased placing of BPI-COSEC credit insurance;
- Maintained its position as the "Bank for Agriculture";
- Continued to be active in the placing of the JESSICA Funds, having approved financing corresponding to 100% of the funds made available under the mandate conferred by the European Investment Bank.

In June 2015, the loan portfolio of Corporate Banking , Institutional Banking and Project Finance stood at 7 223 M.€, which corresponded to the 9.4% drop when compared to the same month of 2014 and compares with -16.1% registered last year. Total resources recorded growth of 26.1% relative to June 2014.

Corporate Banking, Institutional Banking and Project Finance

Amounts in M.€

	30 Jun.14	31 Dec.14	30 Jun.15	Δ% Jun.14/ Jun.15
Loan portfolio				
Corporate loans	3 784.1	3 654.2	3 640.5	(3.8%)
Large companies	1 491.5	1 419.9	1 380.0	(7.5%)
Medium-sized companies	2 292.6	2 234.3	2 260.5	(1.4%)
Project Finance – Portugal	1 136.3	1 154.7	1 146.8	0.9%
Madrid branch	1 439.1	1 306.1	1 026.6	(28.7%)
Project Finance	707.4	634.2	590.8	(16.5%)
Companies	731.7	671.9	435.9	(40.4%)
Public sector	1 616.8	1 424.7	1 408.6	(12.9%)
Total loan portfolio	**7 976.3**	**7 539.8**	**7 222.6**	**(9.4%)**
Resources [1]	**1 785.3**	**2 186.8**	**2 251.1**	**26.1%**

As regards specialised credit to companies, in the 1st half of 2015 the robust expansion observed in 2014 continued, with special mention of Leasing products, with more than 100% increase in the new contracting of equipment leasing, and the 69.5% rise in real estate leasing. In the Factoring and Confirming areas, particularly noteworthy was Confirming, which posted 37.5% growth relative to the same period last year. It is also worth underlining International Factoring where export factoring accounts for 94.8% of the total, with 23.3% year-on-year growth.

Specialised loans to companies

Amounts in M.€

	Cumulative		Δ%
	Jun. 14	Jun. 15	
Leasing (new contracting)	**51.3**	**95.0**	**85.1%**
Equipment leasing	26.2	52.4	100.1%
Real estate leasing	25.1	42.5	69.5%
Factoring and confirming (purchased credits)	**263.3**	**272.9**	**3.7%**
National factoring	144.1	112.6	-21.9%
International factoring	24.8	30.6	23.3%
Confirming	94.4	129.8	37.5%

1) Include sight and time deposits.

MEDIUM AND LARGE COMPANIES

At the end of June 2015, the Customer loan portfolios of the Medium-sized Companies and Large Corporations segments totalled 2 261 M.€ and 1 380 M.€, respectively, which correspond to decreases of 1.4% and 7.5% relative to June 2014.

In the first half of 2015, loans to medium-sized companies and large corporations fell by a mere 0.4% relative to December 2014, with the medium-sized companies segment meriting special mention on account of its 1.2% growth in 2015.

In Large Corporations, BPI continued to be active in the mounting and placing (public and private) of bonds, thereby enabling them to access alternative forms of funding.

In the context of the strategic priority attributed to SME's, BPI bolstered the lines available and the services provided in the first half of the year under competitive conditions.

BPI has been active in assisting with candidacies for the Portugal 2020 programme, with financial solutions tailored to the various phases of each project and sharing important information about the new Community Framework with its Customers. PME Crescimento 2015 (SME Growth 2015) was launched, directed at supporting investments, working capital, high-growth companies and exporters. Since the launching of PME Investe/Crescimento, BPI has occupied the leading position, attaining a 18.6% market share of the total amount contracted (data relating to the end of June 2015).

In the PME Líder status regime, BPI continues to occupy the leading position. At the end of the half year, even with candidacies in progress, BPI leads with a 37% market share of PME Líder 2015.

The 1st half of 2015 saw the launching of products specially directed at this segment of PME Líderes and Excelência (SME Leaders and Excellence):

"This credit is for leaders": In medium-term operations, BPI launched an innovative product range, with special conditions directed at the PME Líder and PME Excelência firms with SME gradings awarded by BPI.

"This insurance is for leaders": In some credit-risk cover solutions, BPI and COSEC offered special conditions for all the PME Líder and PME Excelência firms.

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

In terms of the partnership with the European Investment Bank (EIB)-BPI launched the EIB Line – Loan For SME & Other Priorities 4 (Linha BEI SME IV), amounting to 300 M.€. Through the association with other credit instruments, this line permits offering competitive spreads.

BPI also boosted the support for export firms, with a comprehensive and competitive product range, covering international trade, finance and credit-risk insurance solutions.

The "Angola Internationalisation Line" was launched – a new subsidised credit line with mutual guarantee, managed by PME Investimentos, earmarked for Portuguese companies which are internationalising their operations into Angola. This line allows companies to obtain an advance payment of up to 50% against the amounts receivable from Angola.

With the object of supporting the mitigation of risks and improving the capacity of obtaining solutions for speeding up the collection process, in the 1st half of the year BPI reinforced its leadership in the placement of COSEC credit insurance and in the placing of State-backed products managed by COSEC (namely in the Outside OECD Line).

BPI positions itself as "The Bank for Agriculture", with solutions that embrace the support for investment and treasury: (i) the PRODER and PROMAR lines, designed to obtain early payment of the approved non-refundable grants and their complementary funding; (ii) the joint solutions with Agrogarante; (iii) in treasury, solutions with the Linha IFAP Curto Prazo line (earmarked for financing agricultural seasons) and the BPI/CAP Protocol (which involves the advance payment of operating subsidies granted by the IFAP).

In this segment, BPI leads in the total accumulated amount of guarantees issued by Agrogarante, with a 23% market share.

PROJECT FINANCE

The Project Finance segment's loan portfolio amounted to 1 738 M.€ in June 2015, down 5.8% on the figure for the same month last year, essentially as a result of the already anticipated decline in operations contracted at the Madrid Branch.

Following a period strongly affected by the macroeconomic background and, in particular, by the halt in the launching of new public investment projects under the public-private partnership regime, the Project Finance market emitted signs of some dynamism, for which reason it has been possible to capture new operations in Portugal and fundamentally in the renewable energies sector, without prejudice to adherence to a strategy of selectivity in the funding of projects and in the stepping up of monitoring activities of the loans and guarantees portfolio under management.

In parallel, and with respect to the financing aspect, the Project Finance area remain focused on the provision of financial advisory services, be they private or rendered to public-sector entities (a market where it occupies a prominent position), including a portfolio of projects in which it acts as the permanent financial consultant. The most noteworthy sectors were health, infrastructure (notably water and waste) and transport.

INSTITUTIONAL BANKING AND THE STATE BUSINESS SECTOR

Loans to Public Sector Clients totalled 1 409 M.€ at the end of June 2015, which represents a 13% year-on-year decrease.

Communication and events with Customers

In the first half of 2015 BPI pursued its strategy of proximity, promoting, organising and sponsoring events aimed at reinforcing its backing for strategic segments.

PME Líder and Excelência

"Gala PME Excelência": within the context of its sustained leadership in the PME Líder and PME Excelência status, BPI sponsored the public ceremony for the presentation of PME Excelência 2014 which took place on 26 January 2015.

Export and Internationalisation

"New Markets, New Opportunities": BPI and COSEC organised a debate dealing with the economic prospects and forms of action in the internationalisation process into new markets, at which the keynote speaker was Ludovic Subran – chief economist at Euler Hermes – and was attended by more than 200 participants.

Agriculture

"National Agriculture Award": the 4th edition of the National Agriculture Award was launched, a joint initiative of BPI and the COFINA group (Correio da Manhã and Jornal de Negócios), sponsored by the Ministry of Agriculture and the Sea, which has as its goal promoting, encouraging and rewarding successful cases in national agriculture.

In order to publicise the Award and foster the debate on topics relevant to the primary sector, such as internationalisation, cooperatives and the outlook for forestry, 3 seminars were organised which were attended by more than 400 participants.

Principal events and fairs: BPI has supported the sector's major fairs and initiatives, namely,: National Agriculture Fair, Ovibeja, SISAB 2015, X Congresso do Milho, 7th CAP Congress and the 2nd International Retail and Innovation & Brokerage Conference.

Innovation and entrepreneurship

"Encontros BPI Inovação": BPI, in partnership with COTEC and the Science and Technology Foundation held a set of 7 workshops with a view to fostering innovation, advocating adherence to the PME Inovação network (SME Innovation) and presenting solutions and financing for innovation models. These events, which also addressed the Portugal 2020 and Horizonte 2020 initiatives, attracted more than 500 attendees.

In parallel, a few training and clarification sessions were held directed at entrepreneurs, namely in the context of the National Creative Industries Award and the Entrepreneurship Bursary.

Urban rehabilitation

In the context of the placing of the JESSICA line in the North, Centre and Alentejo region, BPI has funded business projects covering diversified areas (tourism, restaurants, health, education,…). One of the projects supported was honoured with the National Urban Rehabilitation Award in the category "Best Touristic Use Building Work".

During the first half of BPI gave its backing to events involving rehabilitation: "Rehabilitation Practices in Historical Centres: should they be recommended?" (Viseu), "Sustainable Finance in Urban Rehabilitation" (organised by SRU Porto Vivo) and the conference "Presentation of Finance for Urban Requalification" (promoted by the Madeira Regional Government).

BPI site

With the object of the increased sharing of information with customers, the BPI Empresas (Companies) site now includes sections dealing with: Portugal 2020; External Markets (with detailed studies about international economies and summary reports covering certain of the main countries with whom Portugal interacts); Studies dealing with the Agriculture, Forestry and Sea sector.

Bancassurance

In the insurance field, BPI has forged a strategic partnership with the sector's world leader, the German Allianz group. This association is cemented by means of BPI's stake in the equity of Allianz Portugal (35%) and an insurance distribution agreement via the Bank's commercial network.

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

Bancassuarnce's performance in the 1st half of 2015 is reflected in the following revenue indicators:

- the value of commissions totalled 20.3 M.€, which corresponds to 6.3% growth;
- insurance premiums amounted to 75.1 M.€, corresponding to 4.7% growth.
- the number of active policies at the end of June 2015 stood at 432 thousand in the life-risk area and 510 thousand in the non-life area.

Asset management

In the first six months of 2015, the volume of financial assets under BPI Gestão de Activos's (Asset Management) management totalled 11 278 M.€, which represents a 25% increase, 2 286 M.€ more than in the same period of 2014. This improvement can essentially be ascribed to the sale of capitalisation insurance, with the respective portfolio growing by 47% since June 2014. This growth, which in the second half of 2014 was due chiefly to the higher contracting of new Savings business, in the 1st half of the current year is primarily explained by the very significant increase in unit-linked insurance, which has recorded escalating demand.

The Pension Funds and the Unit Trust (Mutual) Funds posted growth of 9% and 6%, respectively. Only the Real Estate Unit Trusts maintained a downward trajectory, although the extent of the decrease has been less than that observed in the last few six-month periods.

Assets under management

Amounts in M.€

	30 Jun. 14	31 Dec. 14	30 Jun. 15	Δ% Jun. 14 / Jun. 15
Unit trust (mutual) funds	2 298	2 285	2 438	6%
Real estate unit trust funds	184	178	182	(1%)
Pension funds	2 201	2 249	2 392	9%
Capitalisation insurance	4 001	5 288	5 896	47%
Institutional Customers	309	316	369	20%
Total	**8 992**	**10 315**	**11 278**	**25%**

UNIT TRUST FUNDS

The unit trust (mutual) funds under management totalled 2 438 M.€ at the end of June 2015, with BPI Gestão de Activos maintaining the second place in the management of unit trust funds in Portugal achieved at the end of last year with a 17% market share (14.2% in June 2014).

Assets under management

Amounts in M.€

	30 Jun. 14	31 Dec. 14	30 Jun. 15	Δ% Jun. 14 / Jun. 15
Bonds and money market	864	872	826	(4%)
Capital growth (equities)	543	536	597	10%
Tax efficiency (PPR/E and PPA)	681	678	809	19%
Diversification	210	198	206	(2%)
Total	**2 298**	**2 285**	**2 438**	**6%**

In the period under review, it is worth highlighting the positive performance of the "Tax efficiency" category (PPR/E and PPA)" – retirement and equity savings plans – which posted 19% growth relative to June 2014, attributable primarily to the increase registered by BPI Reforma Segura PPR (35%) and by BPI Reforma Investimento PPR (13%). Contributing to this improvement was the high volume of subscriptions noted in these products, which jointly attracted an investment of more than 100 million euro.

The "Capital Growth (equities)" category maintained its ascendant trend with a 10% increase over the same period a year ago, resulting above all from the growth in the order of 140% recorded in the BPI África fund domiciled in Luxembourg, and that of around 80% in the BPI Alternative Fund and in the BPI Ásia Pacífico Fund. On the downside, the BPI Ibéria Luxemburgo, BPI Reestruturações and BPI Brasil Valor funds posted declines of more than 30%.

The “Bonds and Treasury” caption revealed a decrease of -4% in this period, which was partly justified by the programmed maturity of the Portuguese Bonds I, II and III funds and by the drop recorded by the higher risk funds – BPI High Income High Risk and BPI High Income. Meanwhile it is worth underlining the very favourable performance of BPI Euro Taxa Fixa and BPI Obrigações Mundiais, with changes of 190% and 137%, respectively.

The “Diversification” category also underperformed (change of -2%), motivated chiefly by the declines noted in BPI Brazil and in BPI Precious Metals of -38% and -10%, respectively. On the other hand, noteworthy in this class was the very positive behaviour of BPI Universal, both domestic (97% growth) and that domiciled in Luxembourg (net assets up 36%).

It is also worth mentioning that in the first half of 2015, the Company recorded a positive net increase in new business contracted of 31 M.€, in particular the performance of the retirement savings fund BPI Reforma Segura PPR with a net inflow of 73 M.€.

REAL ESTATE UNIT TRUST FUNDS

At 30 June 2015, the REUTF’s managed assets totalling 182 M.€, which represents a 1% decrease relative to June 2014.

At the close of June 2015 the REUTF sector presents a volume of assets under management worth 10 995 M.€, down -9% on the figure for the same period last year, giving BPI Gestão de Activos a market share of 1.6% as regards the management of real estate unit trust funds.

CAPITALISATION INSURANCE

At 30 June 2015 the accumulated new contracting of capitalised insurance at BPI Vida e Pensões was 1 109 M.€, corresponding to a considerable increase of 47.5% vis-à-vis the 1st six months of 2014, with the biggest new business written in the 1st half of the year over the last 6 years.

Unit-link insurance merits special mention, where the volume of assets under management climbed from 537 M.€ to 1 717 M.€, as a result of new business written of some 816 M.€. This type of product, despite not benefiting from any income or capital guarantees, allows customers to choose between a number of balanced investment solutions.

PENSION FUNDS

At 30 June 2015 BPI Vida e Pensões managed 2 392 M.€, associated with 141 business pension plans, of which 91 are of the Defined Contribution kind, 37 are Defined Benefit and 13 are mixed plans. Compared with the end of the previous year, five new defined-contribution mandates were obtained.

Investment banking

CORPORATE FINANCE

Based on Bloomberg data, the Portuguese market (excluding the financial and real estate sectors) continued to be characterised by a relatively small number of transactions, with a large number of business deals being realised without the involvement of a financial advisor. There was however a market revival, albeit well short of the pre-2008 levels.

BPI Corporate Finance concluded in the first six months of 2015 a number of important advisory engagements initiated already in 2014: advising a strategic investor on the entry in the capital of Efacec Power Solutions, the acquisition of the perfume and cosmetics business arm of Barreiros Faria (Perfumes & Companhia) by the Arié Group and the acquisition of the Renault Trucks operations in Portugal by the Nors Group.

On the other hand, during the first six months of 2015 BPI Corporate Finance participated in a series of advisory assignments related to transactions already concluded or still in progress, amongst which the following: the privatisation of the Lisbon Oceanarium, in which it advised the Parques Reunidos Group in analysing the operation; the privatisation of Lisbon's public transport network (Carris/Metro de Lisboa); the privatisation of CP Carga; advising a strategic investor in the proposed purchase of Cabovisão/Oni.

In addition to those operations, BPI provided other diversified advisory services within the ambit of investment and financing decision-making (in Portugal and abroad), in economic and financial analysis, in valuations and in corporate restructurings to various national and international entities, amongst which the Vicaima, Bensaúde, Mota-Engil, Partex, Ascendum, Nors, Salvador Caetano and Sonae groups.

Mention is also made of BPI's role in the provision of consultancy services relating to the takeover bid for Semapa – Sociedade de Investimento e Gestão, SGPS, SA's shares, in the form of a swap for the shares of Portucel, S.A.

EQUITIES

Secondary market

In the first half of 2015 BPI brokered a business volume of equities amounting to 3.5 th.M.€. (5.2 th.M.€ in the 1st half of 2014). BPI is market share leader in equities on Euronext Lisbon, in operations on behalf of Customers, with 14.2%. In online brokerage, Banco BPI is market leader with a 21.9% share, having brokered operations worth 1.2 th.M. in the 1st half of 2015.

Research and sales

BPI continues to be one of the research houses with the largest coverage of companies quoted on the Iberian market, with a total of 60 companies covered in Spain and 21 in Portugal at the end of June 2015. Furthermore, BPI also covered 20 French and one Italian company for its office in Porto, Madrid and Paris.

BPI continued to organise several events with the object of bringing together companies and the institutional investor community.

Recognition

At the end of June 2015, the Iberian team was composed of 31 Employees, of whom 14 are attached to the research team and 17 work in the sales and *trading department*.

This team has occupied a top-rated position in the major Iberian rankings over the past few years. Since the beginning of the year, it has climbed in the Institutional Investor Awards' ranking.

NYSE Euronext

- Best Capital Market Promotion Event – Institutional Investors
- Most Active Trading House in Shares

Institutional Investors

- #2 Iberian Research Team in 2015 – 2015 Institutional Investor Awards – All Europe

Thomson Extel

- #2 Iberian Conference.

BPI Capital Africa

BPI Capital Africa, a member of the Johannesburg Stock Exchange, continued to expand its institutional brokerage business. From its Cape Town office, BPI Capital Africa currently covers 82 stocks, including a number of companies listed on various sub-Saharan African stock markets (South Africa, Botswana, Ghana, Mauritius, Mozambique, Nigeria, Kenya, Ruanda, Senegal, Tanzania, Uganda, Zambia and Zimbabwe) and kept in active contact with around 180 institutional investors, based in South Africa and in various international markets. During the first half of 2015, BPI Capital Africa once again occupied a leading place in the rankings of FM research in South Africa, namely #3 in the packaging sector, #5 in the industrial sector, #5 in the construction sector, as well as #3 in sub-Saharan Africa.

At the end of June 2015, the BPI Capital Africa team was composed of 17 employees (from South Africa, Portugal, Zimbabwe, Mozambique and England).

Trading

The principal trading activity was segregated at BPI Alternative Fund – Iberian Equities Long Short. At the end of June 2015 the Bank had an economic exposure of roughly 29%[1] of the fund's participation units. The fund presented up until 30 June 2015 a positive performance of 2.8% net of commissions.

1) Effective interest of 55%, which in addition to Banco BPI's direct holding, includes the participation units in the heding portfolios of BPI Vida e Pensões's Capitalisation insurance.

International operations

BANCO DE FOMENTO ANGOLA

In June 2015 Banco de Fomento Angola's (BFA) shareholders' equity totalled 870 M.US$ (781 M.€) at the same time total assets were 8 705 M.US$ (7 807 M.€).

At the end of June 2015 BFA boasted a commercial network comprising 188 Branches, which represents 5.0% growth on the same period a year ago.

Resources

In June 2015 Customer resources totalled 7 484 M.US$ (6 711 M.€), registering a -8.5% decrease relative to June 2014[1].

BFA's market share in deposits stood at 15.5% in February 2015.

Loans

The Customer loans portfolio expanded 2.1% year-on–year1, to 1 549 M.US$ (1 389 M.€). According to the Central Bank's (BNA) statistics, BFA's market share in February 2015 was situated at 11.5%.

Securities portfolio

BFA's securities portfolio amounted to 3 858 M.US$ (3 460 M.€) at 30 June 2015, accounting for 44% of the Bank's assets. The short-term securities portfolio made up of Treasury Bills totalled 1 134 M.US$, while the medium-term securities portfolio, composed of Treasury Bonds, denominated in AKZ and USD, amounted to 2 700 M.US$.

Cards and electronic banking

BFA occupies a leading position in debit and credit cards in Angola, with 941 thousand valid debit cards at the end of June 2015, corresponding to a 19.8% market share. On the same date, active credit cards totalled 18 029 thousand (Classic and Gold).

The Bank maintains a prominent position in the stock of active APTs and ATMs in June 2015, having closed the first half of the year with 7 540 APT terminals, corresponding to first position, with a market share of 24.7%, and 376 ATMs with the 14.6% market share corresponding to second place.

As regards homebanking, BFA registered in June 2015 a total of 533 thousand customers signed up to BFA Net, of whom 522 thousand are individuals and 11 thousand are companies.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	Jun.14	Jun.15	Δ%
Net total assets	6 799	7 807	14.8%
Loans to Customers	1 111	1 389	25.0%
Customer resources	5 984	6 711	12.2%
Shareholders' equity	644	781	21.3%
Employees (no.)	2 435	2 559	5.1%
Distribution network (no.)	179	188	5.0%
ATM machines (no.)	355	376	5.9%
POS (no.)	5 755	7 540	31.0%
Customers (thousand)	1 250	1 359	8.7%

1) When expressed in the consolidation currency (the euro), the Customer resources and loans portfolios posted growth of 12.2% and 25.0% respectively relative to June 2014.

CAMPAIGNS

Civil servants

BFA launched the digital campaign “Civil Servants’ Personal Loans” with the object of publicising personal loans for all the civil servants whose employer company have signed a protocol with BFA.

Payment of taxes

The Campaign was aimed at disseminating the Payment of Taxes functionality via the internet banking service. With BFA Net and BFA Net Empresas, it is possible to pay taxes at any time and from anywhere.

SPONSORSHIPS

Clube Desportivo 1.º D’Agosto

Banco de Fomento Angola renewed on 22 Abril, in Luanda, the partnership contract with the sporting club Clube Desportivo 1.º D’Agosto for the 2015 sports season. For the fifth consecutive year, BFA sponsors the club’s senior football club. The sponsorship covers all the competitions in which 1.º D’Agosto is involved, namely the Girabola and Taça de Angola (Angola Cup).

Moda Luanda

BFA sponsored the 18th edition of the fashion contest Moda Luanda. The event was staged on 27 and 28 February in the Luanda Bay. "Around the world" was the theme of this edition, showcasing Angolan fashion, models, creators, stylists and national bloggers, who have conquered the world in the international magazines, Fashion Weeks and at different global fashion events.

Angola Business Forum - Portugal

BFA sponsored the first edition of the Angola-Portugal Business Forum under the banner “Together in Diversification of the Economy”.

The Forum was staged on 23 June, in Luanda, at the Hotel Epic Sana. This initiative’s main goal was to promote the business opportunities and partnerships between Angolan and Portuguese companies, taking into account the economy’s diversification process.

AWARDS

Brand of Excellence - Superbrands

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

STP Excellence Award – Deutsche Bank

Deutsche Bank distinguished for the 13th consecutive time BFA with the STP (Straight Through Processing) award as a result of the high success in the automatic processing index of foreign operations realised in 2014.

Best Commercial Bank – Global Banking and Finance Review

BFA was honoured for the third consecutive year with the Award “Best Commercial Bank in Angola” by the English portal Global Banking and Finance Review. The distinction had as the principal factor the diversified range of products and services, the extensive branch network and the social responsibility programme directed at Education, Health and Social Solidarity.

Best Bank in Angola – Euromoney Awards for Excellence 2015

BFA was honoured with the Best Bank in Angola 2015 award given by Euromoney Awards for Excellence. The criteria for the granting of the award relate to the highest standards of innovation services and experience that BFA has been developing, as well as the leadership and dynamism demonstrated in the market.

Best corporate management – World Finance

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

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

Total assets at the end of the first half of 2015 amounted to 2 448 M.€, which represents 16.9% growth relative to June 2014. In June 2015 the Bank's market share was 27.3% of the Mozambique financial system's total assets.

Deposits

Deposits taken from Customers recorded in June 2015, when measured in euro, 17.5% year-on-year growth, reaching 1 770 M.€. Deposits in national currency constituted the most important component of that growth. In June 2015, BCI's market share in deposits stood at 28.5% (29.06% in June 2014), occupying second place.

Loans

The net loans portfolio, stated in euro, posted 23.3% year-on-year growth to total 1 460 M.€. BCI's market share in the loan segment was situated at 29.8% at the end of June 2015, (+0.7 p.p. relative to June 2014), which conferred upon it first place on the market.

Distribution network

BCI continued to expand the distribution network, having opened a further 33 new branches in the last 12 months. In this manner, the bank boasted at the end of June 2015 a total of 171 distribution points, of which 147 are traditional branches, 23 Exclusive Centres and 1 Business Centre. On the other hand and reflecting BCI's drive to expand its electronic banking, the ATM and POS network increased by 155 units (+42.8%) and 1 979 units (+38.7%), respectively, climbing to 517 ATM's and 7 093 POS's in June 2015. The Bank's Customer base grew 30.4% to number some 1.2 million customers at the end of June 2015. These were served by a staff complement of 2 742 employees at the end of the period.

Banco Comercial e de Investimentos
Selected indicators

Amounts in M.€

	Jun.14	Jun.15	Δ%
Net total assets	2 093	2 448	16.9%
Loans to Customers (net)	1 184	1 460	23.3%
Customer deposits	1 507	1 770	17.5%
Shareholders' equity	149	223	49.6%
Employees (no.)	2 243	2 742	22.2%
Branches (no.)	138	171	23.9%
ATM machines (no.)	362	517	42.8%
POS (no.)	5 114	7 093	38.7%
Customers (thousand)	893	1 164	30.4%

Financial review

Selected indicators

Amounts in M.€

	Jun.14			Jun. 15		
	Domestic activity	International activity	Consolidated	Domestic activity	International activity	Consolidated
Net profit, efficiency and profitability						
Net profit	(156.2)	49.5	(106.6)	6.6	69.6	76.2
Net profit per share [1]	(0.112)	0.036	(0.077)	0.005	0.048	0.053
Cash flow after taxation	(49.0)	63.8	14.8	98.8	97.9	196.6
Net operating revenue	150.1	178.4	328.6	330.6	256.7	587.2
Net operating revenue per Employee [2] (thousands of euro)	24	73	38	55	100	69
Operating costs / net operating revenue, excluding non-recurring impacts [3 4]	80.5%	37.7%	64.9%	74.8%	33.7%	56.8%
Average total assets	36 617.5	6 654.5	42 344.9	34 217.0	8 528.8	42 251.3
Return on average total assets (ROA)	(0.6%)	3.0%	0.0%	0.0%	3.3%	0.7%
Average Shareholders' equity	1 847.3	358.0	2 205.4	1 760.5	485.0	2 245.5
Return on average Shareholders' equity (ROE) [4]	(11.4%)	27.7%	(5.1%)	0.8%	28.7%	6.8%
Assets quality						
Credit at risk / Loans to Customers [5]	5.3%	6.4%	5.4%	5.2%	6.3%	5.3%
Coverage of credit at risk by impairments	81%	107%	83%	82%	111%	84%
Net credit loss [6]	0.71%	0.91%	0.72%	0.54%	1.82%	0.64%
Pension liabilities						
Employee pension liabilities	1 114		1 114	1 279		1 279
Cover of pension obligations	106%		106%	106%		106%
Capital						
Shareholders' equity and minority interests	1 860	680	2 541	1 784	837	2 621
CRD IV / CRR phasing in						
Common equity Tier I ratio			12.5%			10.5%
Leverage ratio			6.4%			6.1%
CRD IV / CRR fully implemented						
Common equity Tier I ratio			8.6%			9.1%
Leverage ratio			4.7%			5.5%
Liquidity						
Liquidity coverage ratio (CRD IV / CRR fully implemented)			216%			139%
Net Stable Funding Ratio (CRD IV / CRR fully implemented)			103%			106%
Loans-to-deposits ratio	115%	19%	92%	102%	21%	82%

Note: figures as reported. The figures presented in the Directors' Report refer to the figures as reported except where expressly indicated that they refer to pro forma figures (considering the retrospective application of the requirements of IFRIC 21, as envisaged by IAS 8; see notes to the financial statements 2.1 – Comparability of information (IFRIC 21)). The retrospective application of IFRIC 21 has the following impacts using as the basis the consolidated figures at 30 June 2014: decrease in total assets of 10.1 M.€, decrease in shareholders' equity of 18.3 M.€ and decrease in net profit of 2.7 M.€.

1) Net profit divided by the average number of shares issued net of treasury stock.
2) Taking into consideration the number of Employees of the companies that use the full consolidation method.
3) Excluding non-recurring impacts on both the cost and income sides of the income statement.
4) 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.
5) In accordance with Bank of Portugal Instruction 16/2004.
6) Loan impairments in the year, net of recoveries, as a % of the average loan portfolio.

Consolidated results

BPI earned a net profit of 76.2 M.€ in the first half of 2015. Domestic operations contributed with 6.6 M.€ to that result, while the contribution from international operations was 69.6 M.€.

The result from domestic operations returns to positive figures in the 1st half of 2015, rebounding from the negative figure of 156.2 M.€ reported in the first six months of 2014, which was greatly affected by non-recurring negative impacts of 138.8 M.€[1].

When account is taken of the more recurrent earnings base, that is, excluding those impacts in the 1st half of 2014, this presents a positive trend, improving from -17.4 M.€ to 6.6 M.€, founded on:

- Recovery of net interest income, due primarily to the decline in the cost of term deposits (the spread over Euribor fell from 1.7% in the 1st half of 2014 to 1.2% in the 1st half of 2015);
- Decrease in the cost of credit risk, from 0.71% in the 1st half of 2014 to 0.54% in the 1st half of 2015, although it remains well above the historical values recorded by BPI (0.27% in the 10 years falling between 2002 to 2011[2]).

The continued decline in the costs of term deposits, the spread on which relative to Euribor fell to 0.1% in the deposits contracted in June 2015, in tandem with a stabilisation of the loan portfolio and the lower cost of risk, constitute important factors for the recovery in earnings and profitability in domestic operations.

International operations, which refer primarily to the operations conducted in Angola via BFA and, to a lesser extent, by BCI in Mozambique, increased the contribution to consolidated profit by 40.4% (+20 M.€), to 69.6 M.€ in the 1st half of 2015.

Return on consolidated shareholders' equity

The consolidated ROE was situated at 6.8%.

The return on shareholders' equity in domestic operations was 0.8% and in international operations, which have consistently presented high efficiency and profitability levels, was situated at 28.7%.

In the first half of 2015, in average terms, 78% of the Group's shareholders' equity was allocated to domestic operations, while the remaining 22% of average capital was allocated to international operations.

ROE by business area in 1st half 2015

Amounts in M.€

		Domestic activity				International activity	BPI Group (Consolidated)
		Commercial banking	Investment banking	Participating interests and other	Total		
Average risk weighted assets	1	**16 316.6**	**345.0**	**115.3**	**16 776.9**	**5 973.6**	**22 750.5**
Capital allocated	2	1 598.3	60.0	102.2	**1 760.5**	485.0	2 245.5
Capital reallocation	3	113.9	(23.8)	(90.1)	**(0.0)**	0.0	(0.0)
Adjusted Shareholders' equity for ROE calculation [= 2+3]	4	**1 712.2**	**36.2**	**12.1**	**1 760.5**	**485.0**	**2 245.5**
Net profit	5	8.5	0.8	(2.7)	**6.6**	69.6	76.2
Adjustment to profit due to capital reallocation	6	0.4	(0.1)	(0.3)	**(0.0)**	0.0	(0.0)
Net profit (adjusted) [= 5+6]	7	**8.8**	**0.7**	**(3.0)**	**6.6**	**69.6**	**76.2**
ROE [=7/4]	8	**1.0%**	**4.1%**	**-48.9%**	**0.8%**	**28.7%**	**6.8%**

Calculation of ROE by business areas

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

1) See details of the non-recurring impacts on earnings for the 1st half of 2014 on page 43.

2) Period prior to the maximum figures attained in 2012 (0.91%) and 2013 (0.98%).

Consolidated income statement

Amounts in M.€

		1H14 Proforma (2)	1H14	1H15			Δ M.€
		Consolidated	Consolidated	Domestic activity	International activity	Consolidated	Consolidated
Net interest income (narrow sense)	1	220.7	220.7	150.6	161.8	312.4	91.7
Other income [1]	2	15.8	15.8	18.9	0.0	18.9	3.0
Net interest income [= 1 + 2]	3	**236.5**	**236.5**	**169.5**	**161.8**	**331.2**	**94.7**
Technical result from insurance contracts	4	14.9	14.9	19.4	0.0	19.4	4.5
Commissions and other fees (net)	5	146.9	146.9	124.6	30.8	155.4	8.5
Profits from financial operations	6	(57.3)	(57.3)	22.5	72.9	95.4	152.6
Operating income and charges	7	(15.5)	(12.5)	(5.4)	(8.8)	(14.2)	(1.7)
Net operating revenue [= ∑ 3 to 7]	8	**325.6**	**328.6**	**330.6**	**256.7**	**587.2**	**258.7**
Personnel costs	9	181.3	181.3	147.5	41.6	189.1	7.8
Outside supplies and services	10	121.0	121.0	90.4	36.6	127.1	6.1
Depreciation of fixed assets	11	15.0	15.0	9.2	8.3	17.5	2.5
Operating costs [= ∑ 9 a 11]	12	**317.3**	**317.3**	**247.1**	**86.5**	**333.6**	**16.3**
Operating profit [= 8 - 12]	13	**8.3**	**11.3**	**83.5**	**170.1**	**253.6**	**242.3**
Recovery of loans written-off	14	8.5	8.5	6.8	1.0	7.8	(0.7)
Loan provisions and impairments	15	100.1	100.1	68.7	18.2	86.9	(13.2)
Other impairments and provisions	16	6.3	6.3	14.2	1.8	16.0	9.7
Profits before taxes [= 13 + 14 - 15 - 16]	17	**(89.6)**	**(86.7)**	**7.3**	**151.1**	**158.4**	**245.1**
Corporate income tax	18	(18.6)	(18.3)	9.4	16.1	25.5	43.9
Equity-accounted results of subsidiaries	19	11.4	11.4	8.7	4.0	12.7	1.4
Minority interests	20	49.7	49.7	0.0	69.4	69.5	19.8
Net profit [= 17 - 18 + 19 - 20]	21	**(109.3)**	**(106.6)**	**6.6**	**69.6**	**76.2**	**182.8**
Cash flow after taxation [= 21 + 11 + 15 + 16]	22	**12.1**	**14.8**	**98.8**	**97.9**	**196.6**	**181.8**

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

2) Pro forma 1st half of 2014 owing to the retrospecitve application of the requirements of IFRIC 21, as envisaged by IAS 8. According to the new rules under IFRIC 21, in terms of which the event that creates obligations and gives rise to a liability corresponding to the payment of a levy is the activity that triggers the payment of the levy, Banco BPI changed the manner in which it records the following levies: Periodic contribution paid to the Resolution Fund, Periodic contribution paid to the Deposit Guarantee Fund and the Extraordinary contribution for the banking sector. See note 2.1 to the financial statements – Comparabilty of information (IFRIC 21).

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 1st half 2015 from Banco Fomento Angola amounted to 66.9 M.€, from BCI was 3.7 M.€, from BPI Moçambique was -0.3 M.€ and from BPI Capital África was -0.7 M.€.

Consolidated balance sheet

At the end of June 2015, consolidated assets totalled 41.4 th.M.€ and consolidated shareholders' equity stood at 2.2 th.M.€. At the end of June 2015, 80% of the Group's shareholders' equity was allocated to domestic operations and the remaining 20% allocated to international operations.

Total assets in domestic operations amounted to 34.3 th.M.€. The domestic operations' balance sheet essentially reflects intermediation business with Customers: Customer resources funded 75% of assets while Customer loans represented 67% of those assets.

The Bank had under management off-balance sheet Customer resources of 3.3 th.M.€.

The international operations' balance sheet presents a high level of capitalisation and liquidity. Total assets were 7.9 th.M.€ and their funding is wholly assured by Customer deposits and shareholders' equity. BFA's business is founded on the taking of Customer deposits and the application of those resources into loans (21% of deposits), while surplus liquidity is placed in Angolan State securities, in placements at the BNA (central bank) and in the international banking market.

Consolidated balance sheet

Amounts in M.€

		Proforma Jun. 14 (1)	Proforma Dec. 14 (1)	Jun. 14	Dec.14	Jun. 15		
		Consolidated	Consolidated	Consolidated	Consolidated	Domestic activity 2	International activity 2	Consolidated
Assets								
Cash, deposits at central banks and deposits and loans to credit institutions	1	3 640.0	4 863.5	3 640.0	4 863.5	2 304.0	2 794.9	4 478.0
Loans and advances to Customers	2	25 190.6	25 269.0	25 190.6	25 269.0	22 907.8	1 389.3	24 297.1
Financial assets held for dealing	3	1 895.2	3 017.7	1 895.2	3 017.7	3 163.7	349.5	3 513.2
Financial assets available for sale	4	8 633.6	7 525.8	8 633.6	7 525.8	4 241.8	3 110.5	7 352.3
Investments held to maturity	5	103.5	88.4	103.5	88.4	22.4	0.0	22.4
Investments in associated companies and jointly controlled entities	6	224.4	213.0	224.4	213.0	147.6	67.0	214.6
Other	7	1 589.1	1 651.5	1 599.2	1 651.5	1 473.3	148.1	1 556.7
Total assets [= ∑ 1 a 7]	8	**41 276.6**	**42 628.9**	**41 286.7**	**42 628.9**	**34 260.5**	**7 859.3**	**41 434.2**
Liabilities and shareholders' equity								
Resources of central banks	9	3 055.0	1 561.2	3 055.0	1 561.2	1 520.1	0.0	1 520.1
Credit institutions' resources	10	1 682.4	1 372.4	1 682.4	1 372.4	2 008.7	0.6	1 388.3
Customer resources and other loans	11	25 600.4	28 134.6	25 600.4	28 134.6	21 485.7	6 769.8	28 255.5
Debts evidenced by certificates	12	2 419.2	2 238.1	2 419.2	2 238.1	1 227.4	0.0	1 227.4
Technical provisions	13	3 211.4	4 151.8	3 211.4	4 151.8	3 962.0	0.0	3 962.0
Financial liabilities associated to transferred assets	14	1 199.6	1 047.7	1 199.6	1 047.7	956.1	0.0	956.1
Contingent convertible subordinated bonds	15	69.5	69.5	69.5	69.5	69.5	0.0	69.5
Other	16	1 516.7	1 524.3	1 508.5	1 507.8	1 246.8	252.2	1 434.4
Shareholders' equity attributable to BPI shareholders	17	2 199.3	2 110.9	2 217.6	2 127.4	1 782.4	447.3	2 229.7
Minority interests	18	323.0	418.3	323.0	418.3	1.8	389.5	391.3
Shareholders' equity [=17+18]	19	**2 522.3**	**2 529.2**	**2 540.6**	**2 545.6**	**1 784.2**	**836.8**	**2 621.0**
Total liabilities and Shareholders' equity [= ∑ 9 a 18]	20	41 276.6	42 628.9	**41 286.7**	**42 628.9**	**34 260.5**	**7 859.3**	**41 434.2**
Note: bank guarantees	21	2 053.7	2 168.7	2 053.7	2 168.7	1 598.1	503.6	2 101.7
Off-balance sheet Customer resources 3	22	3 242.4	3 216.2	3 242.4	3 216.2	3 284.3		3 284.3

1) Pro forma June and Dec. 2014 owing to the retrospective application of the requirements of IFRIC 21, as envisaged by IAS 8.
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 was 2 621 M.€ at the end of June 2015, and corresponded to:

- Shareholders' equity attributable to BPI shareholders of 2 230 M.€;
- Minority interests of 391 M.€ corresponding in essence to Unitel's 49.9% holding in BFA's share capital (389 M.€).

Shareholders' equity and minorities interests trend in the 1st half 2015

Amounts in M.€

		Shareholders' equity attributable to BPI shareholders	Minority interests	Total
Shareholders' equity at 31 December 2014	1	**2 127.4**	**418.3**	**2 545.6**
Impact of the application of IFRIC 21	2	(16.5)		(16.5)
Shareholders' equity at 31 December 2014 Proforma [=1+2]	3	**2 110.9**	**418.3**	**2 529.2**
BFA dividends paid to minorities	4		(64.2)	(64.2)
Net profit	5	76.2	69.5	145.6
Change in the fair value reserve, net of deferred taxes	6	8.4		8.4
Actuarial variances, net of deferred taxes	7	74.8		74.8
Exchange translation differences of foreign companies	1	(34.6)	(32.2)	(66.8)
Other	2	(5.9)	(0.0)	(5.9)
[= ∑ 4 to 10]	3	**118.8**	**(27.0)**	**91.9**
Shareholders' equity at 30 June 2015 [=3+11]	4	**2 229.7**	**391.3**	**2 621.0**

Capital ratios

At 30 June 2015, the common equity Tier I capital ratio (CET1) calculated according to the fully-implemented CRD IV / CRR rules (that is, without benefiting from the phasing in envisaged in those rules) totalled 2.2 th.M.€, which corresponded to a common equity Tier I capital ratio of 9.1%.

The common equity Tier I capital ratio calculated according to the CRD IV / CRR rules applicable in 2015 stood at 10.5%.

CET1 ratio fully implemented at 30 June 2015

According to CRD IV / CRR rules

	Domestic activity	International activity	Consolidated
Common Equity Tier 1 capital	1.5 m.M.€	0.7 m.M.€	2.2 m.M.€
Risk weighted assets	16.2 m.M.€	7.8 m.M.€	24.0 m.M.€
Common Equity Tier 1 ratio	**9.0%**	**9.2%**	**9.1%**

With effect from 1 January 2015 the capital ratios incorporate the implementation of two regulatory alterations:

- Adherence to the special regime relating to deferred tax assets (DTA) approved at the Shareholders' General Meeting held on 17 October 2014. At 30 June 2015, the positive impact on fully-implemented CET1 was 229 M.€ corresponding to an impact on the CET1 ratio of +1.0 p.p.
- The application of the new risk weightings applied to BFA's exposure, expressed in Kwanza, to the Angolan State and to Banco Nacional de Angola (central bank).

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

		CRD IV / CRR phasing in			CRD IV / CRR Fully implemented		
		31 Dec.14	31 Dec.14 proforma[1]	30 Jun.15	31 Dec.14	31 Dec.14 proforma [(1)]	30 Jun.15
Common Equity Tier 1 capital	*1*	2 425.5	2 529.9	2 528.9	1 700.7	2 118.7	2 181.4
Risk weighted assets	*2*	20 602.3	24 811.2	24 045.4	20 221.5	24 674.7	23 981.6
Common Equity Tier 1 ratio	*3*	**11.8%**	**10.2%**	**10.5%**	**8.4%**	**8.6%**	**9.1%**

The fully-implemented Common Equity Tier 1 capital ratio increased by 0.5 p.p. relative to December 2014 pro forma[1]. This situation is explained by the 62.6 M.€ increase in CET1 capital in tandem with a 2.8% decrease in risk-weighted assets (-0.7 th.M.€), which essentially resulted from the kwanza's depreciation against the euro which took place in the period under review.

The generation of net profit in the six months was the main factor explaining the increase in Common Equity Tier 1 capital, permitting the accommodation of the negative foreign exchange impact stemming from the kwanza's depreciation on the conversion into euro of BFA's accounts.

It is worth pointing out that the positive actuarial variance of the return earned by the pension funds, which is recorded directly in accounting shareholders' equity, did not have a corresponding positive effect on CET1 capital, given that it generated a surplus funding of liabilities by a similar amount, which is written off in the computation of CET1 capital.

Leverage and liquidity ratios (CRD IV / CRR)
At 30 June 2015 the Leverage and Liquidity ratios are as follows:

- Leverage phasing-in ratio: 6.1%
- Leverage fully-implemented ratio: 5.5%
- Liquidity Coverage Ratio (LCR) fully implemented: 139%
- Net Stable Funding Ratio (NSFR) fully implemented: 106%

1) Pro forma figures at 31 December 2014 considering 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 alteration begins on 1 January 2015.

DOMESTIC OPERATIONS

RESULTS OF DOMESTIC OPERATIONS

The BPI Group's domestic operations posted a net profit of 6.6 M.€ in the 1st half of 2015, recovering from the 156.2 M.€ loss reported in the same period of 2014, which was significantly affected by non-recurring negative impacts of 138.8 M.€.

Excluding those non-recurring costs and losses in the 1st half of 2014, the net profit based on more recurring items increased by 24 M.€, from -17.4 M.€ to 6.6 M.€. The principal factors which contributed to this trend were:

- The lower cost of term deposits, from a spread over Euribor of 1.7% in the 1st half of 2014 to 1.2% in the 1st half of 2015. The trend in the decline in the cost of term deposits should continue in line with the review of the interest paid on current deposits at the time of their renewal and in the contracting of new deposits, contributing to the recovery in net interest income;
- The 1.1% decrease in operating costs. This behaviour reflects the gradual implementation of cost-rationalisation measures since 2007, endeavouring to offset the compression noted in the revenue base. Since 2007, costs (excluding non-recurring items) registered a nominal decrease of 16.5%, which corresponded to an annual saving of 98 M.€;
- The 24.7 M.€ reduction in credit–risk cost. As a percentage of the loan portfolio, the risk cost dropped from 0.71% to 0.54%, giving continuity to the downward trajectory registered since the peak reached in 2013 (0.98%) to values closer to the historical averages[1].

The indicator "operating costs as a percentage of net operating revenue", excluding non-recurring impacts, improved from 80.5% in the 1st half of 2014 to 74.8% in the 1st half of 2015.

Operating profit climbed from 60.4 M.€ (excluding non-recurring items) to 83.5 M.€, while net profit before taxation rose from -30.9 M.€ (excluding non-recurring items) to 7.3 M.€.

NON-RECURRING IMPACTS IN THE 1ST HALF OF 2014

The non-recurring impacts on the earnings generated by domestic operations in the 1st half of 2014 were negative in the amount of 138.8 M.€ (after taxation) and corresponded to the following costs and losses:

- losses of 101.6 M.€ (-131.9 M.€ before taxation) realised on the sale of medium and long-term Portuguese and Italian public debt;
- Costs of 20.5 M.€ (-26.7 M.€ before taxation) relating to interest on the contingent convertible subordinated bonds (CoCo);
- Write-off of 7.5 M.€ of deferred tax assets relating to 2011 tax losses, given the revised lower prospect of the full utilisation of the tax loss when it ends in 2015;
- Tax charge of 7.8 M.€ relating to the financial sector's levy;
- Miscellaneous non-recurring costs of 1.4 M.€.

1) Average indicator of 0.27% in the 10 years from 2002 to 2011, the period prior to the maximum values reached in 2012 (0.91%) and 2013 (0.98%).

Domestic activity income statement

Amounts in M.€

		Proforma 1H14 (2)	1H14	1H14 excl. Non-recurring impacts	1H15	Δ M.€	Δ %
Net interest income (narrow sense)	1	118.0	118.0	144.7	150.6	+32.6	27.6%
Other income [1]	2	15.8	15.8	15.8	18.9	+3.1	19.7%
Net interest income [= 1 + 2]	3	**133.8**	**133.8**	**160.4**	**169.5**	**+35.7**	**26.7%**
Technical result from insurance contracts	4	14.9	14.9	14.9	19.4	+4.5	30.4%
Commissions and other fees (net)	5	121.1	121.1	121.1	124.6	+3.5	2.9%
Profits from financial operations	6	(112.8)	(112.8)	19.1	22.5	+135.3	120.0%
Operating income and charges	7	(9.7)	(6.8)	(5.7)	(5.4)	+1.4	20.6%
Net operating revenue [= ∑ 3 to 7]	8	**147.2**	**150.1**	**309.8**	**330.6**	**+180.4**	**120.2%**
Personnel costs	9	149.3	149.3	148.7	147.5	(1.8)	(1.2%)
Outside supplies and services	10	92.5	92.5	92.5	90.4	(2.1)	(2.2%)
Depreciation of fixed assets	11	8.2	8.2	8.2	9.2	+1.0	12.1%
Operating costs [= ∑ 9 a 11]	12	**250.0**	**250.0**	**249.4**	**247.1**	**(2.9)**	**(1.1%)**
Operating profit [= 8 - 12]	13	**(102.8)**	**(99.8)**	**60.4**	**83.5**	**+183.3**	**183.6%**
Recovery of loans written-off	14	7.5	7.5	7.5	6.8	(0.6)	(8.6%)
Loan provisions and impairments	15	94.1	94.1	94.1	68.7	(25.3)	(26.9%)
Other impairments and provisions	16	4.9	4.9	4.7	14.2	+9.4	193.0%
Profits before taxes [= 13 + 14 - 15 - 16]	17	**(194.3)**	**(191.3)**	**(30.9)**	**7.3**	**+198.6**	**103.8%**
Corporate income tax	18	(28.4)	(28.1)	(6.5)	9.4	+37.5	133.5%
Equity-accounted results of subsidiaries	19	7.7	7.7	7.7	8.7	+1.0	13.2%
Minority interests	20	0.7	0.7	0.7	0.0	(0.6)	(96.7%)
Net profit [= 17 - 18 + 19 - 20]	21	**(158.9)**	**(156.2)**	**(17.4)**	**6.6**	**+162.8**	**104.2%**
Cash flow after taxation [= 21 + 11 + 15 + 16]	22	**(51.7)**	**(49.0)**	**89.6**	**98.8**	**+147.8**	**301.4%**

1) Unit links gross margin, income from equity instruments and commissions associated with amortised cost (net).
2) Pro forma 1st half of 2014 owing to the retrospective application of the requirements of IFRIC 21, as envisaged by IAS 8.

Income

Net interest income

Narrow net interest income was 27.6% higher (32.6 M.€). This performance is basically explained by the following factors:

- The positive effect of the lower average costs of term deposits, from a spread over Euribor of 1.7% in the 1st half of 2014 to 1.2% in the 1st half of 2015. This effect more than compensated for the negative volume effect as a result of the smaller loan portfolio and, to a lesser extent, the contraction in spreads in the segments of lower-risk companies. The unit intermediation margin - defined as the margin between the interest rate on loans and the cost of deposits – improved 0.3 p.p., from 0.92% to 1.22%;
- The full redemption of the contingent convertible subordinated bonds (CoCo) in June 2014. In the 1st half of 2014 the Bank incurred a cost of 27 M.€ with those instruments;
- The negative impact of the lower contribution to net interest income from the securities portfolio as a result of the drop in the yields on Treasury Bills in the market and the smaller portfolio. At the end of June 2015, the Treasury Bills portfolio had an average yield of 0.1% and an average residual maturity of around 6 months.

When compared with the 2nd half of 2014 (already not affected by the costs of the CoCo's), narrow net interest income in the 1st half of 2015 grew by 15.2% (+19.9 M.€).

Net interest income and technical result of insurance contracts

Amounts in M.€

		1H14	1H15	Δ%
Narrow net interest income	*1*	118.0	150.6	27.6%
Gross margin on unit links	*2*	2.0	5.4	169.9%
Income from equity instruments	*3*	3.4	3.6	6.9%
Commissions associated with amortised cost	*4*	10.4	9.9	(5.0%)
Net interest income [= ∑ 1 a 4]	***5***	**133.8**	**169.5**	**26.7%**
Technical result of insurance contracts	*6*	14.9	19.4	30.4%
Total [=5 + 6]	***7***	**148.6**	**188.9**	**27.1%**

The outlook for the trend in net interest income continues to be positive with:

- The continued decline in the cost of term deposits. This improvement is attributable to the gradual adjustment to the interest paid on term deposits at the time of their renewal or new contracting. It should be noted that the margin on deposits contracted in June 2015 was situated at 0.1%, on average;
- The progressive stabilisation of the loan portfolio recorded in the period, with the recovery albeit moderate in the demand for loans, when previously the trend in net interest income was negatively affected by the volume effect of the contraction of the loan portfolio.

It must be noted that:

- The margin is penalised by the backdrop of Euribor rates to values close to zero, which is reflected directly in the margin obtained on sight deposits;
- The contribution to net interest income from the public-debt securities portfolio (Treasury Bills and Portuguese and Italian MLT public debt) is currently minimal: the portfolio's interest income after deducting the cost of hedging the interest rate risk, amounted to 4.5 M.€ in the 1st half of 2015.

On the other hand, the contribution from capitalisation insurance – the margin on which is essentially recorded under the captions "unit links gross margin" and "technical result of insurance contracts" – increased 7.9 M.€ (+47%). This performance is explained by the strong expansion in these resources portfolio. The aggregate net interest income and technical result of insurance contracts increased by 27.1%.

Commissions

Commissions and other net income increased 2.9% when compared with the 1st half of 2014.

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

		1H14	1H15	Δ%
Commercial banking	1	90.2	99.8	s.s.[1]
Asset management	2	20.8	20.4	(2.0%)
Investment banking	3	10.1	4.4	s.s.[1]
Total [= ∑ 1 to 3]	4	**121.1**	**124.6**	**2.9%**

1) Figures not comparable due to the demerger-merger operation that took place in the final quarter of 2014 in terms of which part of the activities hitherto carried on by Banco Português de Investimento are now undertaken by Banco BPI.

Profits from financial operations

Profits from financial operations totalled 22.5 M.€ in the 1st half of 2015.

In the first six months of 2014, the results from financial operations were negative in the amount of 112.8 M.€, which is explained by the losses of 131.9 M.€ realised on the sale of Portuguese and Italian medium and long-term public debt.

Profits from financial operations Amounts in M.€

		1H14	1H15	Δ M.€
Operations at fair value	1	17.4	23.9	+ 6.5
Available for sale assets	2	(131.1)	(1.0)	+ 130.1
Financial income from pensions	3	0.8	(0.5)	(1.3)
Total [= ∑ 1 to 3]	4	**(112.8)**	**22.5**	**+ 135.3**

Operating costs

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation – were down 1.1% relative to the 1st half of 2014.

In the past 12 months, BPI closed 18 branches and one corporate centre in Portugal, which represents a 2.9% decrease in the distribution network in Portugal. At the end of July BPI closed a further 26 branches. The average headcount deployed in domestic operations was reduced by 4.5%. This situation forms part of the series of rationalisation measures that the Bank has been implementing in a gradual manner in domestic activity.

The indicator "overhead costs as a percentage of net operating revenue", excluding non-recurring items on both the cost and income sides, improved from 80.5% in the 1st half of 2014 to 74.8% in the 1st half of 2015, which reflects the expansion of the recurring income base and, to a lesser degree, the decrease in operating costs.

Operating costs Amounts in M.€

		1H14	1H15	Δ%
Personnel costs	1	149.3	147.5	(1.2%)
Outside supplies and services	2	92.5	90.4	(2.2%)
Operating costs, before depreciation and amortisation [= 1 + 2]	3	**241.8**	**237.9**	**(1.6%)**
Depreciation and amortisation	4	8.2	9.2	12.1%
Operating costs [= 3 + 4]	5	**250.0**	**247.1**	**(1.1%)**
Efficiency ratio[1]	6	80.5%	74.8%	

1) Excluding non-recurring impacts on both the cost and income sides of the income statement.

Personnel costs

Personnel costs recorded a 1.2% year-on-year decline. The principal factors explaining this behaviour were the reduction in the average workforce and the zero growth in the fixed component of remuneration within the scope of the salary scale review in Portugal under the Vertical Collective Employment Agreement (Acordo Colectivo de Trabalho Vertical - ACTV) applicable to the banking sector.

Personnel costs

Amounts in M.€

		1H14	1H15	Δ%
Remunerations				
Fixed remunerations	1	103.8	101.7	(2.0%)
Variable remunerations	2	8.0	10.9	36.1%
Other[1]	3	4.8	4.0	(17.5%)
Remunerations [= ∑ 1 to 3]	4	**116.5**	**116.5**	**(0.0%)**
Pension costs and social charges[2]	5	32.7	31.0	(5.3%)
Total [= 4 + 5]	6	**149.3**	**147.5**	**(1.2%)**

Employee pension fund liabilities

At 30 June 2015, the present value of the Bank's liabilities amounted to 1 279 M.€. The net assets of the Employees' pension funds totalled 1 354 M.€, which covered the funding of pension liabilities to the extent of 106%.

Employees' pension liabilities and pension funds

Amounts in M.€

		30 Jun. 14	31 Dec. 14	30 Jun. 15
Pension liabilities	1	1 113.9	1 278.4	1 279.0
Pension funds[3]	2	1 184.2	1 248.7	1 354.3
Funding surplus/(shortfall)	3	70.3	(29.7)	75.3
Financing of pension liabilities	4	**106.3%**	**97.7%**	**105.9%**
Total actuarial deviation[4]	5	(64.0)	(184.0)	(79.9)
Pension funds return[5]	6	5.5%	7.7%	9.9%

Pension fund income

In the 1st half of 2015, the Bank's pension funds recorded a non-annualised return of 9.9%, which is higher than the discount rate and therefore generated a positive actuarial income variance of 104 M.€.

It should be noted that, at the end of June 2015, the effective return of Banco BPI's pension fund since its creation in 1991 was 9.6% per annum, on average, and that in the past ten, five and three years, the effective annual return was 7.7%, 10.0% and 15.8%, respectively.

Actuarial assumptions

There were no changes in the actuarial assumptions in the 1st half of 2015.

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

Actuarial and financial assumptions

	2H14		1H15	
	Beginning of period	End of period	Beginning of period	End of period
Discount rate at Banco BPI[1]	3.5%	2.5%	2.5%	2.5%
Employees working	3.83%	2.83%	2.83%	2.83%
Retired	3.00%	2.00%	2.00%	2.00%
Discount rate at other companies	3.5%	2.5%	2.5%	2.50%
Pensionable salary increase rate	1.25%	1.0%	1.00%	1.00%
Pension increase rate	0.75%	0.5%	0.50%	0.50%
Mortality table[2]	TV 73/77-M – 2 years			
	TV 88/ 90-W – 3 years			

1) At Banco BPI different discount rates are taken into consideration for current Employees and retirees, the result of which is similar had a single rate of 3.5% and 2.5% been utilised in Jun. 14 and 2.5% in Dec.14 and Jun. 15 for the entire population.
2) For the population covered, this is based on an age that is less than the actual age of the beneficiaries - 2 years in the case of males (M) and 3 years in the case of females (F), respectively, which is the same as considering a longer life expectancy.

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) At 31 December 2014 includes 47 M.€ of the contributions transferred in the 1st quarter of 2015 to the pension funds.
4) The amount of negative actuarial variances has been written off directly from shareholders' equity in accordance with IAS19.
5) Non-annualised return.

Impairments and provisions

Impairment charges in the 1st half of 2015, net of recoveries of loans previously written off, amounted to 76.1 M.€ and corresponded to:

- Loan impairments (net of recoveries) of 61.9 M.€;
- Impairments for other purposes of 14.2 M.€.

Impairments for Customer loans

Net credit loss, which corresponds to the amount of impairment charges after deducting loan recoveries, fell by 24.7 M.€, from 86.6 M.€ in the 1st half of 2014 to 61.9 M.€ in the 1st half of 2015.

As a percentage of the loan portfolio's average balance, net credit loss decreased from 0.71% in the 1st half of 2014 to 0.54% in the same period of 2015.

The biggest drive to cover risk was seen in the corporate segment, institutional banking and project finance area, with net credit loss rising to 1.46% of the portfolio. This indicator represents, even so, an improvement of 0.13 p.p. relative to the same period of 2014.

In the individuals and small business segment, net credit loss recorded a more pronounced drop, declining 0.25 p.p. to 0.03%.

At the end of June 2015, credit-risk cover by accumulated impairment allowances on the balance sheet, not taking into consideration real guarantees, was 82%.

By segments, credit-risk cover stood at 91% in loans to Portuguese companies, 81% in loans to Spanish companies (Madrid branch portfolio), 96% in loans to small businesses, 62%[1] in mortgage loans and 101% in loans to individuals.

Loan impairments

Amounts in M.€

		Jun. 2014				Jun. 2015			
		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	67.8	1.62%	66.4	1.59%	55.0	1.50%	53.6	1.46%
Individuals and small businesses									
Mortgage loans	2	19.9	0.35%	19.2	0.34%	4.6	0.08%	3.7	0.07%
Loans to individuals – other purposes	3	5.3	1.20%	3.5	0.79%	1.6	0.39%	0.1	0.03%
Loans to small businesses	4	0.5	0.08%	(3.1)	(0.46%)	1.5	0.20%	(1.6)	(0.21%)
[= ∑ 2 to 4]	5	25.7	0.38%	19.6	0.29%	7.8	0.12%	2.3	0.03%
Other	6	0.6	0.05%	0.6	0.05%	6.0	0.50%	6.0	0.50%
Total [= 1 + 5 + 6]	7	**94.1**	**0.77%**	**86.6**	**0.71%**	**68.7**	**0.60%**	**61.9**	**0.54%**

1) Average balance of performing loans. Annualised.

Results of equity-accounted subsidiaries

The contribution from equity-accounted subsidiaries to the result of domestic operations rose by 13.2% to 8.7 M.€ in the 1st half of 2015.

The contribution from the subsidiaries in the insurance areas – Allianz Portugal and Cosec – was 7.0 M.€.

Equity-accounted results of subsidiaries

Amounts in M.€

		1H14	1H15	Δ%
Allianz Portugal	1	4.9	4.9	0.3%
Cosec	2	1.8	2.1	14.0%
[= 1 + 2]	3	6.7	7.0	4.0%
Unicre	4	1.2	1.9	55.7%
Other	5	(0.2)	(0.2)	30.2%
Total [=∑ 3 a 5]	6	**7.7**	**8.7**	13.2%

1) The average Loan-to-Value for the entire mortgage loan portfolio stood at 56%in June 2015.

DOMESTIC OPERATIONS' BALANCE SHEET

The total assets relating to domestic operations amounted to 34.3 th.M.€ at the end of June 2015.

The domestic operations' balance sheet chiefly reflects the commercial banking business in Portugal. At the end of June 2015, Customer loans amounting to 22.9 th.M.€ represent 67% of assets, while on-balance sheet customer resources (25.6 th.M.€) constitute the principal source of balance sheet funding (75% of assets).

The transformation of deposits into loans ratio in domestic operations, calculated in accordance with Instruction 16/2004, was situated at 102% in June 2015.

BPI maintains a comfortable liquidity situation and balanced funding:

- BPI has a portfolio of Portuguese public debt securities worth 3.0 th.M.€, of which 2.2 th.M.€ are short-term securities (Treasury Bills), and Italian debt of 0.6 th.M.€;
- funds obtained from the ECB amounted to 1.5 th.M.€;
- the Bank has a portfolio of 6.0 th.M.€ of assets eligible for additional funding from the ECB;
- the debt refinancing needs in the next few years are minimal (0.6 th.M.€ up until the end of 2018).

Domestic activity balance sheet

Amounts in M.€

		Proforma Jun. 14[1]	Proforma Dec. 14[1]	Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/Jun.15
Assets							
Cash, deposits at central banks and deposits and loans to credit institutions	1	1 743.8	2 013.3	1 743.8	2 013.3	2 304.0	32.1%
Loans and advances to Customers	2	24 079.5	23 436.0	24 079.5	23 436.0	22 907.8	(4.9%)
Financial assets held for dealing	3	1 740.2	2 803.6	1 740.2	2 803.6	3 163.7	81.8%
Financial assets available for sale	4	5 929.1	4 862.1	5 929.1	4 862.1	4 241.8	(28.5%)
Investments held to maturity	5	103.5	88.4	103.5	88.4	22.4	(78.4%)
Investments in associated companies and jointly controlled entities	6	179.6	158.2	179.6	158.2	147.6	(17.9%)
Other	7	1 486.8	1 484.8	1 496.9	1 484.8	1 473.3	(1.6%)
Total assets [= ∑ 1 a 7]	8	**35 262.5**	**34 846.3**	**35 272.6**	**34 846.3**	**34 260.5**	**(2.9%)**
Liabilities and shareholders' equity							
Resources of central banks	9	3 055.0	1 561.2	3 055.0	1 561.2	1 520.1	(50.2%)
Credit institutions' resources	10	2 466.7	2 007.2	2 466.7	2 007.2	2 008.7	(18.6%)
Customer resources and other loans	11	19 562.1	20 685.7	19 562.1	20 685.7	21 485.7	9.8%
Debts evidenced by certificates	12	2 419.2	2 238.1	2 419.2	2 238.1	1 227.4	(49.3%)
Technical provisions	13	3 211.4	4 151.8	3 211.4	4 151.8	3 962.0	23.4%
Financial liabilities associated to transferred assets	14	1 199.6	1 047.7	1 199.6	1 047.7	956.1	(20.3%)
Contingent convertible subordinated bonds	15	69.5	69.5	69.5	69.5	69.5	(0.0%)
Other	16	1 437.0	1 432.1	1 428.8	1 415.6	1 246.8	(12.7%)
Shareholders' equity attributable to BPI shareholders	17	1 840.2	1 651.1	1 858.5	1 667.6	1 782.4	(4.1%)
Minority interests	18	1.8	1.8	1.8	1.8	1.8	(0.2%)
Shareholders' equity [=17+18]	19	**1 842.0**	**1 652.9**	**1 860.3**	**1 669.4**	**1 784.2**	**(4.1%)**
Total liabilities and Shareholders' equity [= ∑ 9 a 18]	20	**35 262.5**	**34 846.3**	**35 272.6**	**34 846.3**	**34 260.5**	**(2.9%)**
Note: bank guarantees	21	1 704.8	1 680.8	1 704.8	1 680.8	1 598.1	(6.3%)
Off-balance sheet Customer resources[3]	22	3 242.4	3 216.2	3 242.4	3 216.2	3 284.3	1.3%

1) Pro forma June and Dec. 2014 owing to the retrospective application of the requirements of IFRIC 21, as envisaged by IAS 8.
2) Unit trust funds, PPR and PPA, and assets under management of BPI Suisse. Figures after deducting participating units in the portfolios of the Group's banks.

Customer loans

The domestic operations' loan portfolio decreased by 1.2 th.M.€ (-4.9%) in year-on-year terms.

The portfolio's behaviour since the beginning of 2015 evidences a progressive stabilisation as a consequence of a moderate revival in the demand for loans in the corporate segment, the higher volume of mortgage loans contracted, albeit still inadequate to compensate the loan portfolio repayments and the increase in loans to sole proprietors and small businesses.

Customer loans portfolio

Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/Jun.15
Corporate banking					
Large companies	1	1 491.5	1 419.9	1 380.0	(7.5%)
Medium-sized companies	2	2 292.6	2 234.3	2 260.5	(1.4%)
[= ∑ 1 to 2]	3	**3 784.1**	**3 654.2**	**3 640.5**	**(3.8%)**
Project Finance – Portugal	4	**1 136.3**	**1 154.7**	**1 146.8**	**0.9%**
Madrid branch					
Project Finance	5	707.4	634.2	590.8	(16.5%)
Corporates	6	731.7	671.9	435.9	(40.4%)
[= ∑ 5 to 6]	7	**1 439.1**	**1 306.1**	**1 026.6**	**(28.7%)**
Public Sector					
Central Administration	8	99.2	215.4	210.1	111.8%
Regional and local administrations	9	792.3	814.0	809.5	2.2%
State Corporate Sector - in the budget perimeter	10	208.5	64.1	42.1	(79.8%)
State Corporate Sector - outside the budget perimeter	11	475.6	295.4	314.9	(33.8%)
Other institutional	12	41.2	35.8	32.2	(21.9%)
[= ∑ 8 to 12]	13	**1 616.8**	**1 424.7**	**1 408.6**	**(12.9%)**
Individuals and Small Businesses Banking					
Mortgage loans to individuals	14	11 227.2	11 024.1	10 893.3	(3.0%)
Consumer credit / other purposes	15	571.4	553.9	553.2	(3.2%)
Credit cards	16	150.6	166.9	156.5	4.0%
Car financing	17	142.8	134.8	132.5	(7.3%)
Small businesses	18	1 357.4	1 450.2	1 525.9	12.4%
[= ∑ 14 to 18]	19	**13 449.4**	**13 330.0**	**13 261.4**	**(1.4%)**
BPI Vida e Pensões [1]	20	**2 052.7**	**2 005.7**	**1 939.1**	**(5.5%)**
Loans in arrears net of impairments	21	**- 13.1**	**21.1**	**10.4**	**(179.9%)**
Other	22	**614.2**	**539.4**	**474.3**	**(22.8%)**
Total [= 3+4+7+13 + ∑ 19 a 22]	23	**24 079.5**	**23 436.0**	**22 907.8**	**(4.9%)**
Note:					
Bank guarantees	24	1 704.8	1 680.8	1 598.1	(6.3%)

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

Loans to medium-sized companies and large corporations contracted 4.4% (-257 M.€) year-on-year, considering the aggregate of the Corporate Banking loan portfolio and the portfolio of securitised debt of BPI Vida e Pensões, which corresponds essentially to bonds and commercial paper issued by large Portuguese companies. The recovery - although moderate in the demand for loans - has underpinned already a positive change of +0.4% in the 2nd quarter of 2015 (not annualised), thereby holding out the prospect of a reversal in the downward trend observed until now.

The Madrid branch's loan portfolio contracted 29% (-0.4 th.M.€) while the Public Sector and State Business Sector posted a year-on-year 12.8% decline (-0.2 th.M.€).

Loans to individuals and small businesses record a year-on-year contraction of 1.4% (-0.2 th.M.€), which was due primarily to the 3.0% decrease in the mortgage loans portfolio. New home loans advanced in the 1st half of 2015 grew by 51% year-on-year to 240 M.€. This figure is still below the amount of repayments in the period, representing roughly 2/3 of these. The change in the mortgage loan portfolio in the 2nd quarter of 2015 was -0.5% (not annualised).

Loans to sole proprietors and small businesses expanded 12.4% (+0.2 th.M.€) relative to June 2014.

Securities and financial investments portfolio

The securities and financial investments portfolio amounted to 7 575 M.€ at the end of June 2015.

This portfolio includes:

- Available-for-sale financial assets in the amount of 4.2 th.M.€, of which 2.2 th.M.€ were Portuguese Treasury Bills and 1.4 th.M.€ was Portuguese and Italian public debt maturing in 2019;
- BPI Vida e Pensões's securities portfolio amounting to 2.5 th.M.€ [1] allocated to the hedging of capitalisation insurance issued by it;
- Financial assets held for trading (0.7 th.M.€)[2];
- Investments portfolio (0.15 th.M.€).

At the end of June 2015, the portfolio of available-for-sale financial assets registered unrealised losses (before taxation) of 23 M.€, including losses on interest-rate risk-hedging derivatives.

Financial assets available-for-sale portfolio

Amounts in M.€

		31 Dec. 14					30 Jun. 15				
		Acquisition cost	Book value	Gains (losses)[3]			Acquisition cost	Book value	Gains (losses)[3]		
				Securities	Derivatives	Total			Securities	Derivatives	Total
Bonds – public debt											
Portugal	1	3 265.5	3 352.4	82.7	(108.4)	(25.6)	2 966.4	3 020.1	76.4	(95.7)	(19.3)
Of which:											
T-Bonds		787.4	865.2	81.3	(108.4)	(27.1)	787.4	840.3	76.6	(95.7)	(19.1)
T-Bills		2 478.0	2 487.2	1.4		1.4	2 179.0	2 179.8	(0.2)		(0.2)
Italy	2	505.0	565.6	63.2	(77.2)	(14.0)	505.0	558.6	57.1	(68.0)	(11.0)
[=1 +2]	3	3 770.5	3 917.9	145.9	(185.5)	(39.7)	3 471.4	3 578.7	133.5	(163.8)	(30.2)
Corporate bonds	4	595.4	630.7	12.9	(34.9)	(22.0)	347.1	354.5	(1.1)	(16.7)	(17.8)
Equities	5	136.3	120.3	30.4		30.4	134.7	116.1	28.4		28.4
Other	6	239.2	193.1	(3.8)		(3.8)	239.7	192.4	(3.2)		(3.2)
Total [=∑ 3 a 6]	7	**4 741.3**	**4 862.1**	**185.3**	**(220.4)**	**(35.2)**	**4 192.9**	**4 241.8**	**157.7**	**(180.5)**	**(22.7)**
Note: Fair value reserve after deferred tax assets						(18.8)					(10.4)

1) In Banco BPI's consolidated balance sheet, 2 465 M.€ is recorded in the portfolio of held-for-trading financial assets and 22 M.€ in the portfolio of held-to-maturity investments.

2) Of which: 0.3 th.M.€ were equities, 0.09 th.M.€ were debt securities and 0.3 th.M.€ corresponded to derivative instruments with positive fair value.

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

Customer resources

Total Customer resources posted year-on-year growth of 10%, to 28.6 th.M.€ (+2.6 th.M.€).

The aggregate of total Customer resources and which also includes Customer investments in third-party financial products increased 6.1% year-on-year to 32.2 th.M.€ at the end of June 2015.

Customer deposits expanded 4.0% (+0.7 th.M.€) year-on-year. BPI captured in addition a further 2.0 th.M.€ through the placing of capitalisation insurance, whose portfolio grew by 49%.

The expansion of Customer resources was more pronounced during the 2nd half of 2014, which period was marked by the BES resolution. When compared with December 2014, total Customer resources grew 2.0% in non-annualised terms (+0.6 th.M.€), principally by the expansion of the insurance capitalisation portfolio, while deposits remain stable.

Total Customer resources

Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	∆% Jun.14 / Jun.15
On-balance sheet resources					
Deposits					
Sight deposits	1	5 491.1	6 392.2	7 813.3	42.3%
Term and savings deposits	2	12 905.6	12 729.7	11 319.0	(12.3%)
[= 1 + 2]	3	18 396.7	19 121.9	19 132.3	4.0%
Bonds placed with Customers[1]	4	711.7	692.9	480.2	(32.5%)
Subtotal [= 3 + 4]	5	**19 108.4**	**19 814.8**	**19 612.5**	**2.6%**
Insurance capitalisation and PPR (BPI Vida e Pensões) and other	6	3 990.3	5 305.1	5 951.1	49.1%
On-balance sheet resources [= 5 + 6]	7	**23 098.7**	**25 119.9**	**25 563.6**	**10.7%**
Off-balance sheet resources[2]	8	3 242.4	3 216.2	3 284.3	1.3%
Corrections for double counting[3]	9	(359.1)	(331.8)	(278.3)	(22.5%)
Total Customer resources[4] [= 7+ 8 + 9]	10	**25 982.0**	**28 004.3**	**28 569.6**	**10.0%**
Other Customer resources					
Public offerings	11	1 223.5	1 006.9	502.4	(58.9%)
Third-party funds placed with Customers	12	280.9	349.4	468.6	66.8%
Other third-party securities held by Customers	13	2 839.8	2 586.9	2 630.2	(7.4%)
Total [= ∑ 10 to 13]	14	**30 326.2**	**31 947.4**	**32 170.9**	**6.1%**
Pension Funds[5]	15	2 201.4	2 248.7	2 392.3	8.7%
Of which: pension funds' investments in Customer resources (on and off balance sheet)	16	261.4	308.8	306.5	17.3%

1) Structured products (bonds with yield indexed to the equities, commodities and other markets, and with total or partial capital protection at the end of the term), fixed-rate bonds and subordinated bonds issued by the BPI Group and placed with Customers.
2) Unit trust funds, PPR and PPA managed by BPI.
3) Placements of the unit trust funds managed by the BPI Group in deposits and structured products.
4) Corrected for double recording.
5) Includes the BPI Group's Employee pension funds.

INTERNATIONAL OPERATIONS

RESULTS OF INTERNATIONAL OPERATIONS

The contribution from international operations to consolidated net profit was 40.4% higher (+20.0 M.€) year-on-year to 69.6 M.€ in the 1st half of 2015.

The main contributions to profit from international operations corresponded:

- to the contribution of 66.9 M.€ from Banco de Fomento Angola (BFA), relating to the appropriation of 50.1% of its individual net profit, which rose by 43% relative to the 1st half of 2014;
- Banco Comercial e de Investimentos's (BCI) contribution of 3.7 M.€, relating to the appropriation of 30% of its individual net profit (equity accounted), which corresponds to a 9% year-on-year increase.

In the individual accounts, BFA obtained a return on shareholders' equity (ROE) of 31.8% in the 1st half of 2015, while BCI earned a ROE of 17.3%.

The return on average capital allocated to international operations, after consolidation adjustments, was 28.7% in the 1st half of 2015.

International activity income statement

Amounts in M.€

		1H14	1H15	Δ M.€	Δ %
Net interest income (narrow sense)	1	102.7	161.8	+59.1	57.5%
Net commission relating to amortised cost	2	0.1	0.0	(0.1)	(93.1%)
Net interest income [= 1 + 2]	3	**102.8**	**161.8**	**+59.0**	**57.4%**
Commissions and other fees (net)	4	25.8	30.8	+5.0	19.4%
Profits (losses) from financial operations	5	55.6	72.9	+17.3	31.1%
Operating income and charges	6	(5.7)	(8.8)	(3.1)	(54.0%)
Net operating revenue [= ∑ 3 to 6]	7	**178.4**	**256.7**	**+78.2**	**43.8%**
Personnel costs	8	32.0	41.6	+9.6	29.9%
Outside supplies and services	9	28.5	36.6	+8.1	28.5%
Depreciation of fixed assets	10	6.8	8.3	+1.5	21.8%
Operating costs [= ∑ 8 to 10]	11	**67.3**	**86.5**	**+19.2**	**28.5%**
Operating profit [= 7 - 11]	12	**111.1**	**170.1**	**+59.0**	**53.1%**
Recovery of loans written-off	13	1.0	1.0	(0.0)	(4.6%)
Loan provisions and impairments	14	6.0	18.2	+12.2	203.2%
Other impairments and provisions	15	1.5	1.8	+0.3	23.3%
Profits before taxes [= 12 + 13 - 14 - 15]	16	**104.7**	**151.1**	**+46.5**	**44.4%**
Corporate income tax	17	9.8	16.1	+6.4	65.0%
Equity-accounted results of subsidiaries	18	3.7	4.0	+0.3	9.0%
Minority interests	19	49.0	69.4	+20.4	41.6%
Net profit [= 16 - 17 + 18 - 19]	20	**49.5**	**69.6**	**+20.0**	**40.4%**
Cash flow after taxation [= 20 + 10 + 14 + 15]	21	**63.8**	**97.9**	**+34.0**	**53.3%**
Average Euro exchange rates Euro:					
AKZ / 1 EUR		133.6	122.1		(8.6%)
USD / 1 EUR		1.368	1.110		(18.9%)

Note: The cost and income headings, as well as the asset and liability headings, presented as being derived from International activity, refer almost exclusively to Banco de Fomento Angola, given that BCI's contribution (Moçambique) is equity accounted in the BPI Group's financial statements, while BPI Moçambique and BPI Capital Africa, which are also fully consolidated, are not material. See notes 2.2 and 3 to the financial statements.

INCOME

Net operating revenue from international operations (BFA[1]'s operations) rose by 43.8% (+78.2 M.€) in the 1st half of 2015.

Net operating revenue Amounts in M.€

		1H14	1H15	Δ%
Net interest income	*1*	102.8	161.8	57.4%
Commissions and other fees (net)	*2*	25.8	30.8	19.4%
Profits (losses) from financial operations	*3*	55.6	72.9	31.1%
Operating income and charges	*4*	(5.7)	(8.8)	(54.0%)
Total	***5***	**178.4**	**256.7**	**43.8%**

Net interest income

The 57.4% (+59 M.€) improvement in net interest income was mainly due:

- To the positive volume effect of the expansion of deposits and the release of resources stemming from the decrease in placements with CI's, and the placing of the resulting liquidity in loans and Angolan public debt securities;
- The higher average income earned by the portfolio of Angolan public debt securities of around 1.1 p.p.

Considering the average spread relative to the average cost of deposits, the main contributions to net interest income in the 1st half of 2015 are derived from:

- The loan portfolio, with an average balance of 1.9 th.M.€), and an average spread of 7.6 p.p., contributed with 72 M.€ (44% of the total net interest income);
- The securities portfolio, with an average balance of 3.1 th.M.€), and an average spread of 5.8 p.p., contributed with 90 M.€ (56% of net interest income).

Commissions

Commissions and other similar income in the 1st half of 2015 totalled 30.8 M.€, which corresponds to a 19.4% (+5.0 M.€) year-on-year increase.

Profits from financial operations

In the 1st half of 2015, profits from financial operations advanced by 31.1% to 72.9 M.€. This figure corresponds chiefly to the foreign exchange gains arising from commercial operations with Customers.

Operating costs

Operating costs expressed in the consolidation currency (euro) rose by 19.2 M.€ (+28.5%) relative to the same period of 2014.

The behaviour of costs, expressed in Euro, was particularly penalised by the euro's depreciation against the dollar (19% comparing the average exchange rate in the 1st half of 2015 with the same period of 2014), by the fact that personnel costs are indexed to the performance of the USD and that a considerable portion of third-party supplies and services are expressed in foreign currency, and by the euro's depreciation against the Kwanza (about 9% when compared with the average exchange rate in the same period of 2014).

When expressed in USD, operating costs were higher by 4.3% in June 2015 relative to the same period last year. Personnel costs rose by 5.5%, outside supplies and services by 4.2%, while depreciation and amortisation decreased by 1.3%.

BFA has a distribution network composed of 188 units, 9 more branches than in the previous year, most of which opened in the 2nd half of 2014, and with the workforce numbering 2 559 employees (+5.1% on the June 2014 headcount).

The indicator "operating costs as a percentage of net operating revenue" was situated at 33.7% in the 1st six months of 2015.

1) The results of BCI are recognized by the equity accounting method.

Operating costs

Amounts in M.€

		1H14	1H15	Δ%
Personnel costs	1	32.0	41.6	29.9%
Outside supplies and services	2	28.5	36.6	28.5%
Operating costs, before depreciation and amortisation [= 1 + 2]	3	**60.5**	**78.2**	**29.2%**
Depreciation and amortisation	4	6.8	8.3	21.8%
Operating costs [= 3 + 4]	5	**67.3**	**86.5**	**28.5%**
Efficiency ratio [1]	6	37.7%	33.7%	

Loan impairments and provisions

Loan impairments in the period amounted to 18.2 M.€, 12.2 M.€ more relative to the 1st half of 2014.

Loan impairments net of recoveries (1.0 M.€) were 17.2 M.€ and represented 1.82% of the average loan portfolio (0.91% in the 1st half of 2014).

At the end of June 2015, BFA had a ratio of Customer loans in arrears for more than 90 days of 4.5% (stable relative to June 2014). Loans in arrears for more than 90 days were 154% covered by accumulated loan provisions on the balance sheet at the end of June 2015.

Loan impairments

		Jun. 2014		Jun. 2015	
		M.€	**As % of loan portfolio [2]**	**M.€**	**As % of loan portfolio [1]**
Loan impairments	1	6.0	1.10%	18.2	1.92%
(-) Recoveries of loans in arrears written off	2	1.0	0.19%	1.0	0.10%
Loan impairments net of recoveries [=1 - 2]	3	**5.0**	**0.91%**	**17.2**	**1.82%**

Equity-accounted results of subsidiaries

Equity-accounted results – which correspond to the appropriation of results attributable to the 30% equity interest in BCI in Mozambique – were 9.0% higher at 4.0 M.€[3].

The behaviour of BCI's results reflects the strong growth in banking business, underpinned by the distribution network's expansion and the expanded workforce.

Total assets were up 16.9%[4], deposits and loans posted growth rates of 17.5% and 23.3%, respectively, while the number of Customers climbed 30.4% to 1 164 thousand.

Minority interests

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

BPI recognised minority interests of 69.4 M.€ in BFA's net profit in the 1st half of 2015.

1) Operating costs as a percentage of net operating revenue.
2) Average balance of performing loans.Annualised.
3) BCI's contribution to BPI's consolidated net profit, besides the equity-accounted results, also includes deferred taxes relating to the profits distributed by BCI. In the 1st half of 2015, BCI's contribution was 3.7 M.€, up 9% on the preceding year.
4) Expressed in USD, assets descreased by 4.0% and deposits by 3.6%, while loans were 1.2% higher.

INTERNATIONAL OPERATIONS' BALANCE SHEET

BFA's balance sheet is extremely liquid, with Customer resources (6 711 M.€) funding 85% of assets at the end of June 2015. Customer resources together with own resources were sufficient to fully fund assets.

The Customer loan portfolio represented 18% of assets and the transformation of deposits into loans ratio was situated at 21% at the end of June.

The surplus liquidity on BFA's balance sheet, defined as total deposits and shareholders' equity not allocated to the funding of loans, compulsory reserves or the financing of fixed assets, amounted to 4.7 th.M.€ at the end of June 2015.

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

At the end of June 2015, BFA had:

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

At 30 June 2015, 60% of assets were expressed in Kwanzas, 38% expressed in dollars or indexed to that currency, 2% in euro, while positions in other currencies were at residual levels. The exposure of BFA's balance sheet to the Kwanza stood at 641 M.€, to the Dollar at 133 M.€, while exposure to the other currencies was minimal.

International activity

Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/Jun.15
Assets					
Cash, deposits at central banks and deposits and loans to credit institutions	1	2 683.7	3 514.5	2 794.9	4.1%
Loans and advances to Customers	2	1 111.1	1 833.0	1 389.3	25.0%
Financial assets held for dealing	3	155.0	214.1	349.5	125.4%
Financial assets available for sale	4	2 704.6	2 663.7	3 110.5	15.0%
Investments held to maturity	5				
Investments in associated companies and jointly controlled entities	6	44.8	54.8	67.0	49.6%
Other	7	147.5	171.7	148.1	0.4%
Total assets [= ∑ 1 to 7]	8	**6 846.8**	**8 451.7**	**7 859.3**	**14.8%**
Liabilities and shareholders' equity					
Resources of central banks	9				
Credit institutions' resources	10	3.2	29.4	0.6	(82.4%)
Customer resources and other loans	11	6 038.4	7 448.9	6 769.8	12.1%
Debts evidenced by certificates	12				
Technical provisions	13				
Financial liabilities associated to transferred assets	14				
Other subordinated loans and participating bonds	15				
Other	16	124.9	97.1	252.2	101.9%
Shareholders' equity attributable to BPI shareholders	17	359.1	459.8	447.3	24.6%
Minority interests	18	321.2	416.5	389.5	21.3%
Total Shareholders' equity and minority interests [=17+18]	19	**680.3**	**876.2**	**836.8**	**23.0%**
Total liabilities and Shareholders' equity [= ∑ 9 to 18]	20	**6 846.8**	**8 451.7**	**7 859.3**	**14.8%**
Note: bank guarantees	21	349.0	487.9	503.6	44.3%
Euro exchange rates at the end of the period:					
AKZ / 1 EUR		133.3	125.2	135.3	1.5%
USD / 1 EUR		1.366	1.217	1.115	(18.4%)

Customer loans

BFA's Customer loans portfolio expressed in the consolidation currency (Euro) expanded by 25% in June 2015 relative to the same period a year ago, to 1 389 M.€.

The loan portfolio's behaviour is greatly influenced by the dollar's 23% appreciation against the euro, and by the conversion into Treasury Bonds in June 2015 of the tranche in AKZ (50 th.M. AKZ equivalent to roughly 0.4 th.M.€) of the interim loan granted to the Angolan State in the 3rd quarter of 2014.

At the end of June 2015, the component of the loan expressed in kwanzas corresponded to 52.6% of the portfolio and the component expressed in USD represented 47.2%.

When measured in the respective currencies, the concession currencies in year-on-year terms, Customer loans in kwanzas grew by 4% while loans advanced in USD were up 38%.

Customer loans portfolio Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/ Jun.15
Loans to companies	1	736.3	1 394.2	956.9	30.0%
Loans to individuals					
Housing loans	2	119.6	132.4	140.9	17.8%
Consumer loans	3	193.7	224.2	205.2	6.0%
Other	4	72.5	85.2	92.2	27.1%
[= ∑ 2 to 4]	5	**385.8**	**441.8**	**438.2**	**13.6%**
Loans in arrears	6	56.2	63.8	70.9	26.2%
Loan impairments	7	(73.5)	(77.9)	(92.8)	26.3%
Interests and other	8	6.3	11.1	16.1	153.3%
Total [=1 + ∑ 5 to 8]	9	**1 111.1**	**1 833.0**	**1 389.3**	**25.0%**
Guarantees	10	349.0	487.9	503.6	44.3%

Securities and financial investments portfolio

In June 2015, the financial assets portfolio is composed of Angolan Treasury Bills, short-term securities with maturities of up to one year and denominated in kwanzas, and by Angolan Treasury Bonds, with maturities from 1 to 6 years.

The securities portfolio was worth 3 460.0 M.€ at the end of June 2015.

Securities and financial investments portfolio Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/ Jun.15
Short-term securities					
Angolan Treasury Bills	1	688.8	615.1	1 017.0	47.6%
[= 1]	2	**688.8**	**615.1**	**1 017.0**	**47.6%**
Angolan Treasury Bonds	3	2 167.8	2 258.1	2 421.6	11.7%
Other	4	3.0	4.7	21.3	611.9%
[= ∑ 2 a 4]	5	**2 859.6**	**2 877.9**	**3 460.0**	**21.0%**
Financial investments [1]	6	44.8	54.8	67.0	49.6%
Total [= 5 + 6]	7	**2 904.4**	**2 932.6**	**3 527.0**	**21.4%**

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

Customer resources

BFA's portfolio of resources registered a 12.2% expansion in June 2015. Sight deposits represent more than half of the resources taken from Customers.

When measured in the respective intake currencies, in year-on-year terms, total Customer resources in kwanzas (which account for roughly 2/3 of total resources[1]) expanded 27% while the resources taken in USD (around 1/3 of the total) decreased 21%.

Total Customer resources Amounts in M.€

		Jun. 14	Dec.14	Jun. 15	Δ% Jun.14/ Jun.15
Sight deposits	1	3 070.2	3 805.9	3 586.3	16.8%
Term and savings deposits	2	2 913.4	3 590.4	3 124.8	7.3%
Total [= 1 + 2]	3	**5 983.6**	**7 396.3**	**6 711.1**	**12.2%**

1) In June 2015, some 61% of Customer deposits were expressed in kwanzas (55% in June 2014), 37% in dollars (43% in June 2014) and 2% in other currencies.

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

	30 Jun. 14		31 Dec. 14		30 Jun. 15	
Net operating revenue and results of equity accounted subsidiaries / ATA	1.6%		2.1%		2.8%	
Profit before taxation and minority interests / ATA	(0.4%)		(0.0%)		0.8%	
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	(6.0%)		(0.4%)		12.8%	
Personnel costs / net operating revenue and results of equity accounted subsidiaries[1]	53.3%		41.9%		31.5%	
Operating costs / net operating revenue and results of equity accounted subsidiaries[1]	93.3%		72.3%		55.6%	
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	4.2%		4.3%		4.2%	
Loans in arrears for more than 90 days + doubtful loans, net of accumulated loan impairments / loan portfolio (net)	(0.0%)		0.1%		(0.0%)	
Credit at risk[2]	5.4%		5.4%		5.3%	
Credit at risk[2], net of accumulated loan impairments / loan portfolio (net)	1.2%		1.2%		1.1%	
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]	6.8%		6.9%		6.4%	
Restructured loans not included in non-performing loans ("credit at risk") as % of total loans[3]	4.8%		4.6%		4.5%	
Own funds requirements ratio	12.5%	4)	11.8%	4)	10.7%	5)
Basis own funds ratio (Tier I)	12.5%	4)	11.8%	4)	10.7%	5)
Core Tier I ratio	12.5%	4)	11.8%	4)	10.5%	5)
Loans (net) to deposits ratio	92%		84%		82%	

1) Excluding costs with early-retirements.
2) Credit-at-risk corresponds to the sum of (1) the total outstanding value of loans which have principal or interest instalments in arrears for more than 90 days; (2) the total outstanding value of loans which have been restructured after having been in arrears for a period of 90 days or more , without having adequately reinforced the guarantees given (these must be sufficient to cover the total value of outstanding principal and interest; (3) the total value of loans with principal or interest instalments in arrears for less than 90 days, but in respect of which there is evidence that justify their classification as credit at risk, namely the debtor's insolvency or liquidation.
3) According to Bank of Portugal Instruction 32/2013.
4) According to the phasing-in CRD IV/CRR rules applicable in 2014.
5) According to the phasing-in CRD IV/CRR rules applicable in 2015.

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 Bank.

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, 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, CERG**: overall strategy **DF, DA:** operations	**CA** (with CRF advisory) **CECA, 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, CERG**: overall strategy **DF, DA**: operations	**CA** (with CRF advisory) **CECA, CERG, DACR, DF, DA**: limits **CECA, 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, CERG**: overall strategy	**CA** (with CRF advisory) **CECA, 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		

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

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

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

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

CREDIT RISK

Management process

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

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

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

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

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

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

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 MEDTHODOLOGY FOR CALCULATING IMPAIRMENTS

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

In the case of loans to individual customers the portfolio is segmented according to the type of products and a collective analysis of impairments is carried out. The individual analysis in the case of Individuals only occurs for exposures of 1.000 M.€ 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 BdP's CRC;
- Risk warnings which indicate significant degradation of the situation of individuals and of the Group/companies;
- Attachment/seizure of account;
- Applications for insolvency;
- Income Tax and Social Security debts;
- 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.

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

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

$$\text{Impairment} = \sum_{i} (\text{Book Value}_i \times LGD_i)$$

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 in 30 June 2015

Risk classes		Value (M.€)[1]	% of portfolio amount	One-year default probability[2]
E1	1	67.4	1.1%	0.03%
E2	2	317.3	5.2%	0.03%
E3	3	635.7	10.5%	0.03%
E4	4	870.5	14.3%	0.04%
E5	5	1 298.3	21.4%	0.06%
E6	6	704.3	11.6%	0.07%
E7	7	525.3	8.6%	0.49%
E8	8	408.4	6.7%	2.72%
E9	9	252.6	4.2%	7.34%
E10	10	312.4	5.1%	17.27%
Without rating	11	5.0	0.1%	1.22%
ED1	12	1.6	0.0%	42.86%
ED2	13	6.2	0.1%	61.85%
ED3 (default)	14	673.2	11.1%	100.00%
Total [=Σ 1 to 14]	15	**6 078.1**	**100.0%**	**1.95%**

The average probability of default in the Companies portfolio, at one year, weighted by the value of liabilities at 30 June 2015, was 1.95%. The loss in case of default in this segment is, on average, 34.7%, identical to the figure for the recent past, indicating difficulties in the recovery of defaulting operations against the backdrop of the prevailing economic crisis. The expected loss is 0.68% on average for the entire portfolio.

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

Internal rating of project finance

Breakdown of potential exposure by risk classes in 30 June 2015

Risk classes		Value (M.€)	% of portfolio amount
Strong	1	121.2	5.1%
Good	2	1 266.3	52.8%
Satisfactory	3	426.4	17.8%
Weak	4	156.3	6.5%
Default	5	353.8	14.7%
ND	6	75.8	3.2%
Total [=Σ 1 to 5]	7	**2 399.9**	**100.0%**

The segment of small businesses is still at an initial stage of a rating evaluation process. Notwithstanding this fact, it is possible to estimate an average default probability over a one-year period in the case of this portfolio, and a loss in the event of default of 3.68% and 63.92%, 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 0.39% while the sectorial concentration is 12.9%. 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 (0.90%). 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 years).

Default probabilities of loans to individuals
At 30 June 2015

Risk classes	Probability of default within a year[1,2,3]	Loss given default	Expected loss
Mortgage loans	0.9%	22.9%	0.21%
Personal loans	2.2%	33.6%	0.73%
Motor car finance	1.0%	22.5%	0.23%
Credit cards	0.7%	48.5%	0.35%

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

The estimated loss on each operation in default in these segments is also revised periodically over the lifespan of the operations. The lowest expected loss in the event of default in the motor-car and housing finance is directly related to the existence of tangible guarantees, facilitating the recoupment of loans. The existence of 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 30 June 2015

	2015
New loans contracted[4]	62.7%
Housing loan portfolio	56.3%
Loans in default (more than 90 days)	88.1%

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.

4) Loans granted in June 2015.

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

Amounts in M.€

Rating	Dec. 14		Jun. 15	
	M.€	%	M.€	%
AAA	9	0.2%	0	0.0%
AA	1	0.0%	1	0.0%
A	236	4.4%	78	1.6%
BBB	790	14.6%	595	12.4%
BB	3 517	65.2%	3 194	66.6%
B	47	0.9%	72	1.5%
CCC	1	0.0%	1	0.0%
Commercial paper with guarantees from credit institutions	152	2.8%	179	3.7%
Commercial paper without guarantees	527	9.8%	524	10.9%
Without rating	117	2.2%	149	3.1%
Total	**5 397**	**100%**	**4 792**	**100%**

Equities and participating interests' portfolio

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

The realisation of a stress test on this portfolio (20% fall in quoted prices) reveals a capital at risk figure of 21 M.€.

Derivative operations

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

The set-off and collateralisation contracts naturally have an influence on the calculation of this type of exposure. These agreements, which entail the receipt (and payment) of collateral amounts for hedging risks between counterparties, permitted a reduction in the substitution value of the derivatives portfolio from 390 M.€ (gross amount) to 209 M.€ (net amount, after set off and collateralisation) at the end of June 2015.

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

Amounts in M.€

	Dec. 14	%	Jun. 15	%
Over-the-counter market	**226.4**	**100.0%**	**209.5**	**100.0%**
Financial institutions	11.5	2.0%	9.9	2.0%
Other financial intermediaries	1.1	0.8%	1.0	0.8%
Local and administrative public sector	0.4	0.3%	0.3	0.3%
Companies	212.6	96.1%	197.6	96.1%
Unit trust funds and pension funds	0.3	0.0%	0.0	0.0%
Individuals	0.5	0.9%	0.6	0.9%
Regulated markets	**0.0**	**0.0%**	**0.0**	**0.0%**
Stock exchange	0.0	0.0%	0.0	0
Total	**226.4**	**100.0%**	**209.5**	**100.0%**

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

Default, provisioning and recovery levels

BPI continues to record credit-quality indicators at relatively good levels, having reinforced the provisioning of credit risk.

Next, the following principal indicators relating to arrear loans, risk costs and cover by impairments are described in detail:

- **Credit at risk (Instruction 16/2004 BoP[3]):** credit at risk, according to the Bank of Portugal's definition, decreased from 1 304 M.€ in December 2014 to 1 235 M.€ in June 2015. In domestic operations (94% of the consolidated loan portfolio), credit at risk totalled 1 142 M.€ and in international operations (in Angola), which represent 6% of the consolidated loan book, it amounted to 93 M.€.

[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.

3) The credit at risk, according to the definition of Bank of Portugal, beyond the loans in arrears for more than 90 days, also includes the associated loans not yet due, restructured loans and insolvency situations.

- **Credit-at-risk ratio (Instruction 16/2004 BoP):** the consolidated credit-at-risk ratio stood at 5.3% at the end of June 2015 (-0.1 p.p. on December 2014). In domestic operations, that ratio was situated at 5.2% and in international operations (in Angola) it was fixed 6.3%.
- **Arrear loans ratio (+90 days):** At the end of June 2015, the ratio of loans in arrears for more than 90 days was 3.8% in consolidated terms. In domestic operations, that ratio stood at 3.8% and in international operations (in Angola) at 4.5%.
- **Cost of credit risk:** impairment charges in the year, net of loan recoveries, fell from 0.72% of the loan portfolio in the 1st half of 2014 to 0.64% in the 1st half of 2015, in annualised terms.
- **Impairments cover:** Impairment allowances for accumulated loans and guarantees on the balance sheet amounted at the end of June 2015 to 1035.4 M.€. This figure corresponded to 84% of credit at risk, not considering the effect of risk cover by collateral (83% in June 2014).

  Accumulated impairment allowances in the balance sheet for non-performing loans[1] and guarantees (real and personal) represented 90% 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.
- **Foreclosure properties:** properties received as loan recoveries amounted to 153.3 M.€, in terms of gross balance sheet value. The net balance sheet value of accumulated impairments was 125.1 M.€, which compares with the market value of the respective properties of 152.0 M.€.

1) In addition, BPI had impairment allowances of 325 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 113%.

Loans to Customers in arrears and loan impairments

Amounts in M.€

		Dec. 11	Dec. 12	Dec. 13	Dec. 14	Jun. 15		
		Consolidated	Consolidated	Consolidated	Consolidated	Domestic activity	International activity	Consolidated
Customer loan portfolio (gross)	1	28 995	28 129	26 897	26 306	23 807	1 482	25 289
Loans in arrears, falling due loans and impairments								
Credit at risk [1]	2	923.9	1 157.4	1 277.0	1 304.0	1 142.4	92.7	1 235.2
Loan impairments (accumulated in the balance sheet)	3	642.9	824.4	978.7	1 075.2	932.2	103.2	1 035.4
Loans in arrears for more than 90 days	4	686.6	891.9	976.3	1 008.3	896.6	67.2	963.8
Loans in arrears for more than 30 days	5	728.4	917.4	997.2	1 043.7	909.7	70.9	980.6
Ratios (as % of total loans)								
Credit at risk as % of loan portfolio [1, 2]	6	3.2%	4.2%	5.1%	5.4%	5.2%	6.3%	5.3%
Credit at risk, net of accumulated impairments, as % of net loan portfolio [1, 2]	7	0.9%	1.4%	1.4%	1.2%	1.2%	(0.0%)	1.1%
Loan impairments (accumulated in the balance sheet) as % of loan portfolio [=3/1]	8	2.2%	2.9%	3.6%	4.1%	3.9%	7.0%	4.1%
Loans in arrears for more than 90 days as % of loan portfolio [=4/1]	9	2.4%	3.2%	3.6%	3.8%	3.8%	4.5%	3.8%
Loans in arrears for more than 30 days as % of loan portfolio [=5/1]	10	2.5%	3.3%	3.7%	4.0%	3.8%	4.8%	3.9%
Loan impairments as % of credit at risk [= 3/2]	11	70%	71%	77%	82%	82%	111%	84%
Loan impairments as % of loans in arrears for more than 90 days [= 3/4]	12	94%	92%	100%	107%	104%	154%	107%
Write-offs and sales of loans in arrears	13	86.3	81.3	93.4	100.3	99.6	0.0	99.6
Recovery of loans and interests in arrears written-off	14	20.3	15.5	17.6	16.5	6.8	1.0	7.8

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).

The entry of new loans into default (for more than 90 days) in the 1st half of 2015, calculated as the difference in the balance of non-performing loans at the beginning and end of the half year, to which is added the *write-offs* and loan sales effected in this period, totalled 55.2 M.€, which corresponded to 0.44% of the average consolidated loan portfolio in annualised terms.

On the other hand, a total of 7.8 M.€ of arrear loans and interest previously written off was recovered, with the result that entries of new loans into default (for more than 90 days), net of loan recoveries, amounted to 47.4 M.€, which corresponded to 0.38% of the consolidated average loan portfolio in annualised terms.

In domestic operations, new loan defaults net of recoveries totalled 42.4 M.€ (0.37% of the loan portfolio in annualised terms). In international operations, this figure was situated at 5.0 M.€ (0.53% of the loan portfolio in annualised terms).

The 1st half of 2015 loan impairment charges, net of loan recoveries in the period, were made totalling 79.1 M.€, which correspond to a decrease of 12.5 M.€ when compared to the same period of 2014.

Impairments net of recoveries as a percentage of the average performing loan portfolio, fell from 0.72% in the 1st of 2014 to 0.64% in the 1st half of 2015.

In domestic operations, that indicator was 0.54% in the 1st half of 2015, which represented a significant improvement relative to the peak reached in 2013 (0.98%), but stil hovers above the historical average of 0.27%[1].

In international operations, the same indicator was situated at 1.82%.

1) Average indicator in the 10 years between 2002 and 2011, period prior to the peak values attained in 2012 (0.91%) and 2013 (0.98%).

Credit loss and credit at risk

Amounts in M.€

		Domestic operations		International operations		BPI (consolidated)	
		1st half14	1st half15	1st half14	1st half15	1st half14	1st half15
Performing loan portfolio (average balance)	1	**24 367.9**	**23 006.4**	**1 089.2**	**1 894.2**	**25 457.1**	**24 900.5**
Change in non-performing loans							
Increase in arrear loans (for more than 90 days), adjusted for write-offs and sale of loans	2	13.2	49.2	2.6	6.0	15.8	55.2
As a percentage of the loan portfolio (average balance)[1] [= 2/1]	3	0.11%	0.43%	0.49%	0.63%	0.12%	0.44%
– Recoveries of arrear loans and interest written off	4	7.5	6.8	1.0	1.0	8.5	7.8
= Increase in arrear loans (more than 90 days), adjusted for write-offs, sales of loans and net of recoveries of arrear loans [= 2-4]	5	**5.7**	**42.4**	**1.6**	**5.0**	**7.4**	**47.4**
As a percentage of the loan portfolio (average balance)[1] [= 5/1]	6	0.05%	0.37%	0.30%	0.53%	0.06%	0.38%
Net credit loss							
Loan impairments	7	94.1	68.7	6.0	18.2	100.1	86.9
As a percentage of the loan portfolio (average balance)[1] [= 7/1]	8	0.77%	0.60%	1.10%	1.92%	0.79%	0.70%
– Recoveries of arrear loans and interest written office	9	7.5	6.8	1.0	1.0	8.5	7.8
= Net credit loss [= 7 - 9]	10	**86.6**	**61.9**	**5.0**	**17.2**	**91.6**	**79.1**
As a percentage of the loan portfolio (average balance)[1] [= 10/1]	11	0.71%	0.54%	0.91%	1.82%	0.72%	0.64%

1) In annualised terms.

The credit-at-risk ratio calculated in accordance with Bank of Portugal Instruction 23/2011 stood at 5.3% in consolidated terms at the end of June 2015 (5.2% in domestic operations and 6.3% in international operations).

The cover for credit-at-risk impairments, not considering the associated collateral, was situated at 84% (82% in domestic operations and 111% in international operations).

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

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

		30 Jun. 14				30 Jun. 15			
		Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impairments cover	Loan portfolio (gross), as % of total	Credit at risk (M.€)	Credit at risk ratio	Impairments cover
Domestic activity									
Companies in Portugal	1	21%	393	7.6%	92%	22%	441	8.6%	91%
Madrid branch	2	7%	191	11.8%	100%	5%	142	12.3%	81%
Public Sector	3	7%	38	2.3%	19%	6%	0	0.0%	530%
Individuals and Small Businesses Banking									
Mortgage loans to individuals	4	48%	398	3.4%	60%	48%	391	3.5%	62%
Other loans to individuals	5	4%	45	5.0%	98%	4%	39	4.4%	101%
Small businesses	6	6%	149	10.0%	90%	7%	126	7.7%	96%
[=Σ 4 to 6]	7	58%	592	4.2%	70%	59%	556	4.0%	72%
Other	8	3%	5	0.8%	260%	2%	3	0.6%	395%
Domestic activity [=Σ (1 to 3) +7 + 8]	9	**95%**	**1 218**	**5.3%**	**81%**	**94%**	**1 142**	**5.2%**	**82%**
International activity	10	**5%**	**76**	**6.4%**	**107%**	**6%**	**93**	**6.3%**	**111%**
Total [= 9 + 10]	11	**100%**	**1 294**	**5.4%**	**83%**	**100%**	**1 235**	**5.3%**	**84%**

Restructured loans

The amount of restructured loans (consolidated) totalled 1 501.6 M.€ at the end of June 2015. Of this amount, 461.5 M.€ is included in the credit-at-risk balance.

The amount of restructured loans not included in credit-at-risk therefore totals 1 040.1 M.€, which corresponds to 4.5% of the gross loan portfolio.

Restructured loans

Amounts in M.€

		30 Jun. 14	as % of gross loan[1]	31 Dec. 14	as % of gross loan[1]	30 Jun. 15	as % of gross loan[1]
Amount included in credit at risk	1	475.8	2.0%	551.2	2.3%	461.5	2.0%
Performing amount	2	1 155.9	4.8%	1 123.8	4.6%	1 040.1	4.5%
Total [= 1+2]	3	**1 631.7**	**6.8%**	**1 675.1**	**6.9%**	**1 501.6**	**6.4%**

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).

Impairments cover for defaulting loans

At the end of June 2015, the total exposure to loans with arrear instalments of principal or interest amounted to 1 387 M.€ in consolidated terms and corresponded to:

- total arrear loans (principal or interest instalments in arrears for more than 30 days) of 981 M.€ which represented 3.9% of the gross loan portfolio;
- portion not yet due in those loan operations of 407 M.€.

In average terms, the total exposure to the aforesaid loans (arrear loans and associated instalments falling due) was 90% covered by individual impairments set aside specifically for those loans (711 M.€) and by the value of real guarantees (533 M.€).

Loans in arrears and performing loans associated with loans in arrears

Amounts in M.€

		30 Jun. 14			31 Dec. 14			30 Jun. 15		
		Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total	Loans with collateral	Loans without collateral	Total
Loans										
In arrears	1	397.2	591.5	**988.8**	425.7	618.0	**1 043.7**	402.6	577.9	**980.6**
Falling due loans[1]	2	314.3	185.2	**499.5**	268.9	151.9	**420.8**	259.5	147.2	**406.7**
Loans [= 1+2]	3	**711.5**	**776.8**	**1 488.3**	**694.6**	**769.9**	**1 464.5**	**662.1**	**725.1**	**1 387.2**
Real guarantees[2] (mortgages and other[3])	4	572.4		**572.4**	542.8		**542.8**	533.0		**533.0**
Impairments[4]	5	255.7	490.4	**746.1**	262.7	489.9	**752.5**	259.7	451.2	**710.9**
Loans coverage by collateral and impairments [= (4+5) / 3]	6	**116%**	**63%**	**89%**	**116%**	**64%**	**88%**	**120%**	**62%**	**90%**

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

Foreclosed properties

At the end of June 2015, BPI had a portfolio of foreclosed properties with a gross balance sheet carrying amount of 153.3 M.€. Of this figure, 68.9 M.€ refers to properties repossessed for home-loan recoveries and 84.4 M.€ refers to properties repossessed for the recoupment of other loans.

At 30 June 2015, the accumulated amount of impairments for foreclosed properties amounted to 28.2 M.€, which corresponded to 18% of the gross balance sheet value. Accordingly, the net balance sheet value of these properties was 125.1 M.€, which compares with their market value of 152.0 M.€.

Property repossessed from loans recovery

Amounts in M.€

		30 Jun. 14	31 Dec. 14	30 Jun. 15
By home loan operations				
Gross amount	1	68.9	72.7	68.9
Impairment	2	2.7	3.4	3.5
Net amount [= 1-2]	3	**66.2**	**69.3**	**65.4**
Impairments as % of gross amount	4	**4%**	**5%**	**5%**
Market value	5	82.1	85.9	81.0
Other				
Gross amount	6	105.7	88.5	84.4
Impairment	7	30.9	23.9	24.7
Net amount [= 6-7]	8	**74.8**	**64.5**	**59.7**
Impairment as % of the gross amount	9	**29%**	**27%**	**29%**
Market value	10	88.1	76.5	71.0
Total				
Gross amount	11	174.6	161.2	153.3
Impairment	12	33.7	27.4	28.2
Net amount [= 11-12]	13	**141.0**	**133.9**	**125.1**
Impairments as % of the gross amount	14	**19%**	**17%**	**18%**
Market value	15	170.2	162.4	152.0

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

In addition, the operations defined as eligible are short-term financing for external trade, the loans of certain multilateral banks, certain medium-term operations with political risk hedging or which, due to their structuring, are not subject to transfer risk.

Country risk exposure assessment

Country risk exposure

At 30 June 2015

Amounts in M.€

Country	Rating	Gross exposure	Personal guarantees	Tangible guarantees	Exposure net of guarantees
Countries from Group I					
Euro Zone		**2 982.3**	**73.1**	**(142.2)**	**2 913.2**
	AAA	554.6	62.5	(32.0)	585.1
	AA	388.0	(0.3)	(16.3)	371.4
	A	35.6	0.0	(0.1)	35.6
	BBB	1 983.5	11.0	(93.8)	1 900.6
	B	0.0	0.0	0.0	0.0
	CCC	20.6	0.0	0.0	20.6
Other EU countries		**182.9**	**0.8**	**(3.7)**	**180.0**
	AAA	22.8	0.0	(0.1)	22.8
	AA	156.4	0.8	(3.7)	153.6
	A	3.7	0.0	0.0	3.7
	BBB	0.0	0.0	0.0	0.0
	BB	0.0	0.0	0.0	0.0
Switzerland	AAA	59.5	1.3	(2.0)	58.8
USA	AAA	25.2	0.0	(1.4)	23.8
Other		27.3	1.2	(0.6)	27.9
Offshores		32.7	0.0	(1.2)	31.5
		3 310.0	**76.5**	**(151.1)**	**3 235.4**
Countries from Group II					
Brazil	BBB	49.1	0.0	(0.6)	48.4
Angola	BB	320.1	(144.8)	(13.7)	161.5
Russia	BB	30.2	0.0	0.0	30.2
Turkey	BBB	0.0	0.0	0.0	0.0
Mexico	BBB	51.7	0.0	(0.1)	51.6
Mozambique	B	15.5	2.0	(6.0)	11.5
Venezuela	CCC	8.8	0.0	(4.5)	4.3
Cape Verde	B	81.5	(78.7)	0.0	2.8
South Africa	BBB	9.0	0.0	(3.0)	6.0
Other		4.0	0.0	(0.4)	3.6
		569.8	**(221.5)**	**(28.4)**	**320.0**
Subsidiaries		**458.1**	**0.0**	**0.0**	**458.1**
Angola (BFA)		391.1	0.0	0.0	391.1
Mozambique (BCI)			0.0	0.0	67.0
TOTAL		**4 337.9**	**(145.0)**	**(179.5)**	**4 013.4**

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. 14		Jun. 15	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	0.8	2.8	1.7	4.3
Currency risk	1.2	1.7	0.5	2.5
Equities risk	2.3	3.8	2.2	4.8
Commodities risk	0.0	0.0	0.0	0.0

1) Potential maximum loss, with a 99% confidence level, resulting from an unfavourable trend in prices, indices and interest rates over a time span of two weeks, considering in the calculation of overall risk the effect of the correlation of returns. A normal distribution of returns is assumed. Maximum VaR extracted from daily calculations.

MARKET RISKS – STRUCTURAL INTEREST RATE RISK POSITION

Management process

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

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

Structural interest rate risk exposure assessment

The assessment of treasury positions (short term) and structural risk positions relating to interest rates (long term) is based on gap schedules (currency gaps, repricing gaps, duration gaps). In addition, several stress tests are conducted (parallel shift of the yield curves, slope of the curves, spread / basis risk).

At 30 June 2015, the repricing gap (of interest rates) accumulated up to 1 year of EUR was 7 073 M.€.

Interest rate risk[2]

Structural position, at 30 June 2015 Amounts in M.€

	Until 1 year	1-2 years	2-5 years	5-7 years	7-15 years	> 15 years
Accumulated gap	7 073	6 914	7 198	7 279	7 404	7 456

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 30.9 M.€[3].

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 51 M.€.

Foreign exchange rate risk

Structural position, at 30 June 2015

Amounts in M.€

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other	Total
Assets					
Cash and deposits at central banks	395	501	1 109	7	2 013
Amounts owed by credit institutions repayable on demand	416	81	6	50	552
Financial assets held for dealing and at fair value through profit and loss	2 849	380	263	21	3 513
Financial assets available for sale[1]	4 146	926	2 303	0	7 375
Loans and advances to credit institutions	611	1 171	118	12	1 913
Loans and advances to Customers	22 588	899	731	79	24 297
Investments held to maturity	22	0	0	0	22
Hedging derivatives	105	3	0	0	109
Non-current held-for-sale assets	0	0	0	0	0
Other assets	50	71	5	2	129
	31 183	**4 033**	**4 536**	**173**	**39 923**
Liabilities					
Resources of central banks	1 520	0	0	0	1 520
Financial liabilities held for dealing	309	5	18	0	332
Credit institutions' resources	1 302	85	0	1	1 388
Clients' resources and other loans	19 770	4 119	4 118	249	28 255
Debts evidenced by certificates	1 199	28	0	0	1 227
Financial liabilities associated to transferred assets	956	0	0	0	956
Hedging derivatives	232	5	0	0	237
Provisions	90	25	5	1	120
Technical provisions	3 962	0	0	0	3 962
Contingent convertible subordinated bonds	0	0	0	0	0
Other subordinated liabilities	70	0	0	0	70
Creditors and other resources	215	19	63	2	298
	29 624	**4 286**	**4 203**	**253**	**38 366**
Forward currency operations	-1 044	454	204	93	-294
Structural position		-174	291	-9	
Stress test		**-35**	**87**	**-2**	**51**

1) Excludes revaluation reserves.

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

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

- in the intermediation business with Customers, Customer resources constitute the principal source of funding. The transformation ratio of deposits into loans was fixed at 102% and 82% respectively in domestic and consolidated;
- Banco BPI maintained at 1.5 th.M. € the amount of funds raised from the ECB, all of which with origin in the TLTRO;
- the Bank held at the end of the semester a portfolio of Euro-zone countries' public debt of 3.6 th.M.€, of which 2.2 th.M.€ in Treasury Bills issued by the Portuguese Republic. This portfolio is fully discountable at the ECB for liquidity raising operations.
- the portfolio of assets eligible for funding from the Eurosystem stood at 9.0 th.M.€ at the end of June. Of this figure, the amount not utilised and the therefore capable of being converted into immediate liquidity at the ECB was 6.0 th.M.€;
- net medium and long-term refinancing needs in the next few years are not significant: 0.6 th.M.€ from June 2015 to 2018. It is worth noting that 2019 will see the release of substantial liquidity through the repayment of 1.2 thousand M.€ of medium and long-term bonds held by BPI as guarantee.

Short-term gap

BPI's short-term funding Gap (domestic operations) decreased from -1.9 th.M.€ in December 2014 to -1.5 th.M.€ in June 2015. The principal factors explaining this trend were:

- positive change in commercial Gap of 792 M.€. This change is explained by the higher volume of resources taken from Customers and the gradual contraction of the loan book;
- decline in the Treasury Bills portfolio of 317 M.€ and the redemption and sales of companies' issues in portfolio (200 M.€);
- redemption and repurchases of own debt of 912 M.€.

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

GAP at 31 Dec.14	**(1 918)**
Change in commercial liquidity GAP	792
Redemption of own debt	(912)
New debt issued	0
Redemption of bonds held	200
Sales of Treasury Bonds	0
Change in the Treasury Bills' portfolio	317
GAP at 30 Jun.15	**(1 521)**

In June 2015 short-term funding was broken down as follows:

- net creditor position on the money market of 46M.€ and securities repos of 47 M.€;
- ECB funding of 1.5 th.M.€.

Financing of short term liquidity position

Amounts in M.€

		Dec. 2014	Jun. 2015
Short term lending			
Loans to credit institutions	1	463	749
[=1]	2	**463**	**749**
Short term borrowing			
Money market	3	(825)	(703)
Repos	4	(39)	(47)
[=3+4]	5	**(865)**	**(750)**
Euro commercial paper	6	(16)	0
Funding from the ECB (net of deposits)	7	(1 500)	(1 520)
[=Σ 5 to 7]	8	**(2 381)**	**(2 270)**
Total short term gap [=1+8]	9	**(1 918)**	**(1 521)**

ECB funding

At the end of June, the Bank had funds of 1 520 M.€ obtained from the ECB. The whole amount of those funds correspond to the 4-year fixed rate operation launched by the ECB at the end of 2014 for the purpose of incentivising the granting of credit to the economy, with maturity in 2018.

Portfolio of assets eligible for the Eurosystem

In June 2015, BPI held a portfolio of assets eligible for the Eurosystem of 8 972 M.€ (figures net of gains 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 6 029 M.€.

Assets eligible for the Eurosystem

Amounts in M.€

		Dec. 2014	Jun. 2015
Total eligible assets[1]	1	**9 394**	**8 972**
of which: assets given as collateral[2]	2	1 463	1 423
Net eligible assets [= 1 - 2]	3	**7 931**	**7 549**
Used as collateral in funding with ECB	4	1 516	1 520
Available eligible assets [= 3 - 4]	5	**6 415**	**6 029**

The decline in the portfolio of eligible assets during the first six months of the year essentially reflects the decrease in the Treasury Bills portfolio registered in the period.

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

Prospects for the background to the liquidity situation in the second half of 2015

During the second half of the year, no substantial changes are expected to occur in BPI's liquidity profile: the repayment of own debt by the end of the year is only 24 M.€ while the maturity of portfolio securities is a mere 43 M.€.

The interbank money market and the short-term repo market should consolidate the normalisation that we have been witnessing in the past few quarters. The access channel to the medium and long-term market should also remain open and with a positive tendency in step with the international investor community's improved perception of the country.

The Targeted Longer Term Refinancing Operations (TLTRO) – the instrument created by the ECB as part of the expansionist monetary policy announced already in 2014 – remains as a low-cost alternative for medium-term fundraising.

OPERATIONAL RISKS

Management process

Operational risk, defined as the risk of incurring financial losses resulting from deficiencies 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 a operational risk model implemented whose utlimate objective is to maximise the security, the resilience and the efficiency of the assets under its custody and of the service provided to the Customer.

This model envisages the evaluation of the exposure to operational risks, the mitigation of the main risks and their permanent monitoring, as well as being reviewed peridiocally.

The evaluation and monitoring of the exposure to risk is done in various forms, including: identification of the probability and potential impact of the risks, assessment of the efficiency of the controls implemented, the monitoring of operational risk events by frequency, impact and description of risk.

Operational risks are identified and evaluted based on a self-appraisal process, responsibility for which is entrusted to the risk managers at each one of the

Divisions. They are also responsible for identifying the risk-mitigation measures and to ensure their implementation.

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

Risk incidences are recorded and analysed with a view to identifying the respective cause. Whenever deemed necessary, mitigating measures are prescribed and implemented.

The reporting channels laid down ensure that the principal risks and occurrences are analysed by the appropriate management levels.

Operational risk events

The recording of operational-risk occurrences permits assessing the efficacy of the processes, at the same time as the decentalisation of this task fosters greater awareness of this type of risk.

The distribution of occurrences with actual financial impact in the 1st half of 2015, by type of cause, was as follows:

Operatrional risk occurrences in the 1st half of 2015
Distribution by type of cause (actual impact and frequency)

Type of cause	Frequency (%)	Actual net impact (%)
External causes	37.49%	47.26%
People	49.50%	44.48%
Processes	3.82%	4.21%
Systems	9.19%	4.05%
Total	**100%**	**100%**

Business continuity

The Business Continuity Plans of each one of the Group's Bodies detail the BPI's response strategy for the incidents capable of jeopardising the security of persons and other assets or of causing business interruption, identifying the alternative procedures and resources for guaranteeing the continuity of critical activities.

These plans and the information underpinning them are located outside the bank at redundancy systems, available and accessible to the respective managers at any moment and at any place.

There are also alternative technological platforms for information and communication systems, guaranteeing the Bank's functioning even under contingency conditions.

In order to respond to critical indicents by way of improving the time and quality of the reaction, the Bank upgraded the preparation and functioning conditions at its contingency premises in Lisbon and Oporto.

A room has been set up for the monitoring of infrastructures, with connections to the principal premises and IT systems with redundant energy and communications back-up.

In the first half of 2015 a trial was carried out in a real environment of the local contingency plan for the Bank's central processing system. Similarly, various trials was undertaken of the other remote contingency plans of the other critical IT systems.

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 2015 continuity was given to reinforcing the securtity-monitoring systems and to boosting the means employed in the detection and response to IT threats, with particular attention paid to the aspects relating to cyber attacks and to the security of payments made via the internet.

Employees and Customers are continually kept informed and made aware of good practices in information security and internet 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 the 1st half 2015.

Recommendation Summary	Cross-reference for 1st half 2015 report
I. BUSINESS MODEL	
1. Description of the business model	***DR*** – *Financial and business structure, page 9.*
2. Description of strategies and objectives	***DR*** – *Presentation of the report, page 5; Financial review, page 37; Risk Management, page 59.*
3. Description of the importance of the operations carried out and the respective contribution to business	***DR*** – *Domestic Commercial Banking, page 21; Bancassurance, page 27; Asset management, page 28; Investment banking, page 30; International activity, page 32; Financial review, page 37;* ***NFS*** – *3. Segment reporting, page 113.*
4. Description of the type of activities undertaken 5. Description of the objective and extent of the institution's involvement relating to each activity undertaken.	***DR*** – *Domestic Commercial Banking, page 21; Bancassurance, page 27; Asset management, page 28; Investment banking, page 30; International activity, page 32; Background to operations, page 13; Financial review, page 37; Risk Management, page 59.*
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 59;* ***NFS*** – *4.49. Financial Risks, page 204 and following.*
7. Description of major risk-management practices in operations	***DR*** – *Risk Management, page 59;* ***NFS*** – *4.49. Financial Risks, page 204 and following.*
III. IMPACT OF THE FINANCIAL TURBULENCE PERIOD ON RESULTS	
8. Qualitative and quantitative description of the results	***DR*** – *Financial review, page 37.*
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 126, 4.7. Loans to customers, page 133, 4.22. Provisions and impairments, page 165, 4.41. Net gains/losses from financial operations, page 195; 4.49. Financial Risks, page 204.*
10. Description of the reasons and factors responsible for the impact suffered	***DR*** – *Financial review, page 37; Background to operations, page* 13.
11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period	***DR*** – *Financial review, page 37.*
12. Breakdown of the write-downs between realised and unrealised amounts	***DR*** – *Financial review, page 37;* ***NFS*** – *4.5. Available-for-sale financial assets, page 126; 4.7. Loans to customers, page 133; 4.41. Net gains/losses from financial operations, page 195 and 4.22. Provisions and impairments, page 165.*
13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares	***DR*** – *Banco BPI Share, page 83.*
14. Disclosure of the maximum loss risk	***DR*** – *Risk Management, page 59;* ***NFS*** – *4.49. Financial Risks, page 204 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* 45 *and* 54. *The Bank did not revalue its liabilities.*

IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD	
16. Nominal value (or amortised cost) and fair value of exposures	***NFS*** *– 4.49. Financial Risks, page 204 and following and 4.5 Available-for-sale financial assets, page 126.*
17. Information about credit risk mitigation and respective effects on existing exposures	***DR*** *– Risk Management, page 59 and following.*
18. Detailed disclosure of exposures	***DR*** *– Risk Management, page 59;* ***NFS*** *– 4.49. Financial Risks, page 204 and following, 4.5. Available-for-sale financial assets, page 126 and 4.7. Loans to customers, page 133.*
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, page 37.*
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 30 June 2015, 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 June 2015, BPI exposure to mono-line insurers amounted to 2.7 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 97; 2.3.3. Available-for-sale financial assets, page 98; 2.3.4. Loans and other receivables, page 99; 4.21. Financial liabilities associated with transferred assets, page 163.*
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 204 and following.*
25. Description of the modelling techniques utilised for valuing financial instruments	***NFS*** *– 2.3. Financial assets and liabilities, page 97 and 4.49. Financial Risks, page 204 and following.*
VI. OTHER IMPORTANT DISCLOSURE ASPECTS	
26. Description of disclosure policies and principles which are used in financial reporting	***CGovR 2014*** *– IV. Investor Relations, page 317.*

DR – Directors' Report; **NFS** – Notes to the financial statements; **CGovR 14** – Corporate governance report 2014.

Rating

The rating given to the Portuguese Republic did not alter in the opening months of 2015, remaining below the investment grade classification, respectively Ba1/BB+/BB by Moodys, Fitch and S&P. However, in March, S&P changed the outlook from “stable” to “positive”, referring to the return to economic growth and the slight increase in inflation as factors that improve the sustainability of public debt.

As regards the banking sector, the behaviour of the ratings during the curse of the first half of 2015 was also influenced by the revised rating methodologies used by the rating agencies and by the approval of the new Directive dealing with banking resolution.

The current long / short-term ratings given to Banco BPI and respective Outlook are as follows:

- Moody’s: Ba3/Not Prime with Stable Outlook;
- S&P: BB-/B with Negative Outlook;
- Fitch: BB/B with Stable Outlook.

Credit rating of Banco BPI	Moody's	Fitch Ratings	Standard & Poor's
Long term	BB	Ba3	BB-
Short term	B	Not prime	B
Outlook	Stable	Stable	Negative
Individual Rating	Viability rating bb	Baseline Credit Assessment b1	Stand-alone credit profile (SACP) bb-
Collateralised senior debt			
Mortgage	BBB	A3	
Public sector		Baa1	
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

Fitch Ratings: rating decision on 19 May 2015. On 23 June 2015 Fitch Ratings reaffirmed the credit ratings (LT/ST) and attributed a stable Outlook.

Moody’s: rating decision on 28 March 2012. On 11 June 2015 Moody’s reaffirmed the credit ratings (LT/ST), and revised upwards the Outlook from negative to stable.

Standard & Poor’s: rating decision on 14 February 2012. On 22 June 2015 Standard & Poor’s reaffirmed the credit ratings (LT/ST), and revised downwards the Outlook from stable to negative.

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

Banco BPI shares

STOCK MARKET PERFORMANCE

At the end of the 1st half of 2015, the Banco BPI share price was situated at 1.018€, virtually unchanged (-0.8%) from the price at the end of the preceding year.

The Portuguese PSI 20 stock index posted a gain of 15.7% during this period, while the Spanish index was 4.8% higher in the same period. The European banking sector, represented by the DJ Europe Stoxx Banks index, closed the half year having advanced 12.5%.

The preliminary announcement by CaixaBank relating to the launching of a takeover bid for Banco BPI's shares, at a price of 1.329€ per share (which in the meantime was withdrawn in the middle of June), influenced the share's performance during the period.

The worsening of the Greek situation had a negative impact on the Bank's share price, explaining in part as well by the share's increased volatility at the end of June 2015.

Index weighting (30 June 2015)
PSI-20: 2.64%; #11
Next 150: 0.69%;[1)]

Codes and tickers

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

Banco BPI shares selected indicators

	1st half 2014	1st half 2015
Banco BPI share price (€)		
Maximum price	2.060	1.570
Average price	1.663	1.236
Minimum price	1.213	0.760
Closing price	1.529	1.018
Share price and benchmarks' evolution		
Banco BPI	25.7%	(0.8%)
PSI-20	3.7%	15.7%
IBEX 35	10.2%	4.8%
Dow Jones Europe STOXX Banks	(1.0%)	12.5%
Dow Jones STOXX 600	4.1%	11.3%
Data per share (€)		
Net profit	(0.08)	0.05
Cash flow after taxation	0.01	0.14
Book value	1.53	1.54
Weighted average no. of shares (in millions)	1 392.7	1 450.2
Stock market capitalisation		
Stock market capitalisation (M.€)	2 228	1 483
Liquidity		
Trading volume in the semester (M.€)	514	382
Daily average trading volume (M.€)	4.1	3.1
Daily average trading quantity (x th.)	2 474	2 470

1) At 14 July 2015.

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 the 1st half 2015.

At the end of June 2015, Banco BPI held 5 947 830 treasury shares (0.41% 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 June 2015.

Treasury shares transactions in 1st half 2015

Amount and price in euros

	No. shares held at 31 Dec. 14	Acquisition			Sale			Total turnover (amount)	No. shares held at 30 Jun. 15
		Quantity	Amount	Average Price	Quantity	Amount	Average Price		
Banco BPI[1]	6 181 589	983	1.583	1.61	234 742	283 365	1.21	235 725	5 947 830
Banco Português de Investimento	0	0	0	-	0	0	-	0	0
Total	**6 181 589**	**983**	**1.583**	**1.61**	**234 742**	**283 365**	**1.21**	**235 725**	**5 947 830**
% of share capital	**0.42%**	**0.00%**			**0.02%**			**0.02%**	**0.41%**

1) Exclusively over-the-counter transactions.

2) The balance of treasury shares at the end of June 2015 does not include 359 486 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 thapt 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.

26 August 2015

Banco BPI, S.A.

Consolidated financial statements as of June 30, 2015 and 2014

BANCO BPI, S.A.

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2015, DECEMBER 31, 2014 PROFORMA AND JANUARY 1, 2014 PROFORMA

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

(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 15 Amounts before impairment, depreciation and amortisation	Jun. 30, 15 Impairment, depreciation and amortisation	Jun. 30, 15 Net	Dec. 31, 14 Proforma Net	Jan. 01, 14 Proforma Net
ASSETS						
Cash and deposits at central banks	4.1	2 012 836		2 012 836	1 894 203	1 372 211
Deposits at other credit institutions	4.2	551 646	2	551 644	380 475	469 487
Financial assets held for trading and at fair value through profit or loss	4.3/4.4	3 513 158		3 513 158	3 017 733	1 317 558
Financial assets available for sale	4.5	7 466 124	113 840	7 352 284	7 525 778	9 624 243
Loans and advances to credit institutions	4.6	1 913 493		1 913 493	2 588 817	1 886 070
Loans and advances to customers	4.7	25 289 208	992 099	24 297 109	25 268 969	25 965 133
Held to maturity investments	4.8	22 394		22 394	88 382	136 877
Hedging derivatives	4.4	109 121		109 121	148 693	194 043
Non-current assets held for sale	4.9				11 604	
Investment properties	4.10	154 777		154 777	154 777	164 949
Other tangible assets	4.11	709 247	510 793	198 454	204 239	197 337
Intangible assets	4.12	115 583	93 072	22 511	24 883	19 149
Investments in associated companies and jointly controlled entities	4.13	214 560		214 560	212 980	221 992
Tax assets	4.14	398 906		398 906	422 531	539 692
Other assets	4.15	704 502	31 535	672 967	684 786	711 671
Total Assets		**43 175 555**	**1 741 341**	**41 434 214**	**42 628 850**	**42 820 412**

	Notes	Jun. 30, 15	Dec. 31, 14 Proforma	Jan. 01, 14 Proforma
LIABILITIES				
Resources of central banks	4.16	1 520 137	1 561 185	4 140 068
Financial liabilities held for trading	4.17/4.4	332 225	326 785	255 245
Resources of other credit institutions	4.18	1 388 325	1 372 441	1 453 249
Resources of customers and other debts	4.19	28 255 454	28 134 617	25 630 473
Debt securities	4.20	1 227 358	2 238 074	2 598 455
Financial liabilities relating to transferred assets	4.21	956 058	1 047 731	1 387 296
Hedging derivatives	4.4	237 482	327 219	548 458
Provisions	4.22	119 741	107 333	124 037
Technical provisions	4.23	3 961 996	4 151 830	2 689 768
Tax liabilities	4.24	61 934	42 630	57 711
Contingent convertible subordinated bonds	4.25			920 433
Other subordinated debt and participating bonds	4.26	69 516	69 521	136 931
Other liabilities	4.27	682 972	720 324	606 612
Total Liabilities		**38 813 198**	**40 099 690**	**40 548 736**
SHAREHOLDERS' EQUITY				
Subscribed share capital	4.29	1 293 063	1 293 063	1 190 000
Other equity instruments	4.30	3 853	5 270	3 414
Revaluation reserves	4.31	(77 400)	(51 143)	(362 336)
Other reserves and retained earnings	4.32	946 826	1 042 087	1 025 154
(Treasury shares)	4.30	(12 800)	(13 828)	(17 090)
Consolidated net income of the BPI Group	4.45	76 178	(164 558)	67 015
Shareholders' equity attributable to the shareholders of BPI		**2 229 720**	**2 110 891**	**1 906 157**
Minority interests	4.33	391 296	418 269	365 519
Total Shareholders' Equity		**2 621 016**	**2 529 160**	**2 271 676**
Total Liabilities and Shareholders' Equity		**41 434 214**	**42 628 850**	**42 820 412**

	Notes	Jun. 30, 15 Net	Dec. 31, 14 Proforma Net	Jan. 01, 14 Proforma Net
OFF BALANCE SHEET ITEMS				
Guarantees given and other contingent liabilities	4.34	2 101 716	2 168 711	2 106 771
Of which:				
[Guarantees and sureties]		[1 723 839]	[1 826 825]	[1 832 700]
[Others]		[377 877]	[341 886]	[274 071]
Commitments	4.34	3 407 359	3 355 940	3 020 342

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

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF INCOME FOR PERIODS ENDED JUNE 30, 2015 AND 2014 PROFORMA

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

(Amounts expressed in thousands of Euro)

	Notes	Jun. 30, 2015	Jun. 30, 2014 Proforma
Interest and similar income		601 784	671 206
Interest and similar expenses		(289 430)	(450 502)
Financial margin (narrow sense)	4.35	**312 354**	**220 704**
Gross margin on unit links	4.36	5 379	1 993
Income from equity instruments	4.37	3 599	3 365
Net commission relating to amortised cost	4.38	9 886	10 458
Financial margin		**331 218**	**236 520**
Technical result of insurance contracts	4.39	19 401	14 880
Commissions received		152 689	149 271
Commissions paid		(20 815)	(19 367)
Other income, net		23 527	17 011
Net commission income	4.40	**155 401**	**146 915**
Gain and loss on operations at fair value		96 807	72 994
Gain and loss on assets available for sale		(952)	(131 092)
Interest and financial gain and loss with pensions		(472)	834
Net income on financial operations	4.41	**95 383**	**(57 264)**
Operating income		14 144	16 231
Operating expenses		(17 297)	(23 872)
Other taxes		(11 020)	(7 811)
Net operating income	4.42	**(14 173)**	**(15 452)**
Operating income from banking activity		**587 230**	**325 599**
Personnel costs	4.43	(189 077)	(181 286)
General administrative costs	4.44	(127 062)	(121 000)
Depreciation and amortisation	4.11/4.12	(17 504)	(15 027)
Overhead costs		**(333 643)**	**(317 313)**
Recovery of loans, interest and expenses		7 787	8 478
Impairment losses and provisions for loans and guarantees, net	4.22	(86 902)	(100 062)
Impairment losses and other provisions, net	4.22	(16 035)	(6 319)
Net income before income tax		**158 437**	**(89 617)**
Income tax	4.45	(25 541)	18 580
Earnings of associated companies (equity method)	4.46	12 737	11 385
Global consolidated net income		**145 633**	**(59 652)**
Income attributable to minority interests	4.33	(69 455)	(49 679)
Consolidated net income of the BPI Group	4.47	**76 178**	**(109 331)**

Earnings per share (in Euro)			
Basic		0.053	-0.079
Diluted		0.052	-0.078

The accompanying notes form an integral part of these statements.

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

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR PERIODS ENDED JUNE 30, 2015 AND 2014 PROFORMA

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

(Amounts expressed in thousands of Euro)

	Jun. 30, 15			Jun. 30, 14 Proforma		
	Attributable to shareholders of the BPI Group	Attributable to minority interests	Total	Attributable to shareholders of the BPI Group	Attributable to minority interests	Total
Consolidated net income	**76 178**	**69 455**	**145 633**	**(109 331)**	**49 679**	**(59 652)**
Income not included in the consolidated statements of income:						
Items that will not be reclassified to net income						
Actuarial deviations	105 012		105 012	28 131		28 131
Tax effect	(30 224)		(30 224)	(6 489)		(6 489)
	74 788		**74 788**	**21 642**		**21 642**
Items that may be reclassified subsequently to net income						
Foreign exchange translation differences	(34 628)	(32 197)	(66 825)	795	2 093	2 888
Revaluation reserves of financial assets available for sale:						
Revaluation of financial assets available for sale	7 740		7 740	214 285		214 285
Tax effect	(2 748)		(2 748)	(63 368)		(63 368)
Transfer to income resulting from sales	456		456	131 232		131 232
Tax effect	(155)		(155)	(38 582)		(38 582)
Transfer to income resulting from impairment recognized in the period	4 231		4 231	4 552		4 552
Tax effect	(1 153)		(1 153)	(1 338)		(1 338)
Valuation of assets of associated companies	(8 033)		(8 033)	17 087		17 087
Tax effect	2 324		2 324	(5 454)		(5 454)
	(31 966)	**(32 197)**	**(64 163)**	**259 209**	**2 093**	**261 302**
Income not included in the consolidated statements of income	**42 822**	**(32 197)**	**10 625**	**280 851**	**2 093**	**282 944**
Consolidated comprehensive income	**119 000**	**37 258**	**156 258**	**171 520**	**51 772**	**223 292**

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR PERIODS ENDED JUNE 30, 2015 AND 2014 PROFORMA

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

(Amounts expressed in thousands of Euro)

	Subscribed share capital	Other equity instruments	Revaluation reserves	Other reserves and retained earnings	Treasury shares	Net income	Minority Interests	Shareholders' equity
Balance at December 31, 2013 Proforma	**1 190 000**	**3 414**	**(362 336)**	**1 040 707**	**(17 090)**	**67 015**	**365 519**	**2 287 229**
Impact of application of IFRIC 21				(15 553)				(15 553)
Balance at January 1, 2014 Proforma	**1 190 000**	**3 414**	**(362 336)**	**1 025 154**	**(17 090)**	**67 015**	**365 519**	**2 271 676**
Appropriation of net income for 2013 to reserves				67 015		(67 015)		
Exchange operation of subordinated debt and preference shares for shares (OPT)	103 063			12 206			(49 365)	65 904
Dividends paid on preference shares							(719)	(719)
Dividends paid to minority interests							(44 186)	(44 186)
Variable Remuneration Program (RVA)		325			8 704			9 029
Sale / purchase of treasury shares				(2 869)	227			(2 642)
Comprehensive income for the first half of 2014 Proforma			247 576	33 275		(109 331)	51 772	223 292
Other				(16)				(16)
Balance at June 30, 2014 Proforma	**1 293 063**	**3 739**	**(114 760)**	**1 134 765**	**(8 159)**	**(109 331)**	**323 021**	**2 522 338**
Repurchase of subordinated debt and preference shares following the OPT				278				278
Dividends paid on preference shares							(22)	(22)
Variable Remuneration Program (RVA)		1 531			(5 669)			(4 138)
Sale / purchase of treasury shares				(227)				(227)
Comprehensive income for the second half of 2014 Proforma			63 617	(92 713)		(55 227)	95 270	10 947
Other				(16)				(16)
Balance at December 31, 2014 Proforma	**1 293 063**	**5 270**	**(51 143)**	**1 042 087**	**(13 828)**	**(164 558)**	**418 269**	**2 529 160**
Appropriation of net income for 2014 to reserves				(164 558)		164 558		
Dividends paid on preference shares							(24)	(24)
Dividends paid to minority interests							(64 207)	(64 207)
Variable Remuneration Program (RVA)		(1 417)		249	1 028			(140)
Comprehensive income for the first half of 2015			(26 257)	69 079		76 178	37 258	156 258
Other				(31)				(31)
Balance at June 30, 2015	**1 293 063**	**3 853**	**(77 400)**	**946 826**	**(12 800)**	**76 178**	**391 296**	**2 621 016**

The accompanying notes form an integral part of these statements.

The Accountant

The Executive Committee of the Board of Directors

BANCO BPI, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30, 2015 AND 2014 PROFORMA

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

(Amounts expressed in thousands of Euro)

	Jun. 30, 15	Jun. 30, 14 Proforma
Operating activities		
Interest, commissions and similar income received	1 303 204	1 608 038
Interest, commissions and similar expenses paid	(819 045)	(1 157 303)
Recovery of loans and interest in arrears	7 787	8 478
Payments to personnel and suppliers	(293 931)	(299 118)
Net cash flow from income and expenses	198 015	160 095
Decrease (increase) in:		
Financial assets held for trading, available for sale and held to maturity	(194 225)	723 975
Loans and advances to credit institutions	669 192	(134 000)
Loans and advances to customers	833 226	675 380
Investment Properties		6 333
Other assets	178 153	273 388
Net cash flow from operating assets	1 486 346	1 545 076
Increase (decrease) in:		
Resources of central banks and other credit institutions	(9 048)	(844 432)
Resources of customers	(41 006)	491 308
Financial liabilities held for trading	5 440	87 208
Other liabilities	(187 829)	(254 826)
Net cash flow from operating liabilities	(232 443)	(520 742)
Contributions to the Pension Funds	(7 798)	(5 658)
Income tax paid	(16 891)	(24 201)
	1 427 229	**1 154 570**
Investing activities		
Sale of Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	11 604	
Subscrition of the increase in share capital of Banco Comercial e de Investimentos, S.A.R.L.	(12 988)	
Purchase of other tangible assets and intangible assets	(28 351)	(11 676)
Sale of other tangible assets	12	64
Dividends received and other income	17 329	22 545
	(12 394)	**10 933**
Financing activities		
Liability for assets not derecognised	(91 783)	(187 781)
Redemption of contingent convertible subordinated bonds		(920 000)
Issuance of debt securities and subordinated debt	34 645	188 648
Redemption of debt securities	(1 018 202)	(428 964)
Purchase and sale of own debt securities and subordinated debt	(10 775)	24 979
Purchase and sale of preference shares		(49 365)
Interest on contingent convertible subordinated bonds		(27 108)
Interest on debt securities and subordinated debt	(38 735)	(50 508)
Exchange operation of subordinated debt and preference shares for shares		103 063
Dividends paid on preference shares	(24)	(719)
Dividends distributed to minority interests		(44 186)
Purchase and sale of treasury shares	(140)	6 386
	(1 125 014)	**(1 385 555)**
Net increase (decrease) in cash and equivalents	289 821	(220 052)
Cash and equivalents at the beginning of the period	2 274 661	1 839 043
Cash and equivalents at the end of the period	**2 564 482**	**1 618 991**

The accompanying notes form an integral part of these statements.

The Accountant
Alberto Pitôrra

The Executive Committee of the Board of Directors

President Fernando Ulrich
Vice-President António Domingues
Members José Pena do Amaral
Manuel Ferreira da Silva
Maria Celeste Hagatong
Pedro Barreto
João Pedro Oliveira e Costa

Banco BPI, S.A.

Notes to the consolidated financial statements as of June 30, 2015 and 2014

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

(These notes are a translation of notes originally issued in Portuguese – Note 5)

1. THE FINANCIAL GROUP

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

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

At June 30, 2015 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 2014, due to the entry into force of IFRS 10 - Consolidated Financial Statements, the BPI Group started consolidating in accordance with the full consolidation method the funds BPI Obrigações Mundiais – Fundo de Investimento Aberto de Obrigações[1] , Imofomento - Fundo de Investimento Imobiliário Aberto[1] and BPI Strategies, Ltd., in which it holds 46.5%, 51.2% and 58.4% of the participating units, respectively. The participation in BPI Obrigações Mundiais is consolidated in accordance with the full consolidation method, although the BPI Group holds less than 50% of the participating units, 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 form, the following activities now being carried out directly 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 sale was completed in the first half of 2015.

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

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

[1] Funds managed by asset management companies controlled by the BPI Group.

At June 30, 2015 the BPI Group was made up of the following companies:

	Head Office	Shareholder's Equity	Total Assets	Net Income (loss) for the period	Direct Participation	Effective Participation	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 572 097	35 013 879	94 630			
Banco Português de Investimento, S.A.	Portugal	29 792	39 160	(447)	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	223 361	2 447 825	15 814	30.00%	30.00%	Equity method
Banco de Fomento Angola, S.A.	Angola	780 546	8 041 871	125 930	50.09%	50.10%	Full consolidation
Banco BPI Cayman, Ltd.	Cayman Islands	158 015	203 233	3 168		100.00%	Full consolidation
Asset management companies and dealers							
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A	Portugal	13 234	21 958	3 048	100.00%	100.00%	Full consolidation
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 494	4 771	968	100.00%	100.00%	Full consolidation
BPI (Suisse), S.A.	Switzerland	17 042	17 858	1 815	100.00%	100.00%	Full consolidation
BPI Alternative Fund: Iberian Equities Long/Short Fund (Lux) [1]	Luxembourg	270 257	279 324	5 035	28.69%	54.57%	Full consolidation
BPI Obrigações Mundiais - Fundo de Investimento Aberto de Obrigações [1]	Portugal	40 365	41 221	221	12.97%	46.49%	Full consolidation
BPI Strategies, Ltd [1]	Cayman Islands	37 698	38 062	2 304	58.42%	58.42%	Full consolidation
Imofomento - Fundo de Investimento Imobiliário Aberto [1]	Portugal	157 398	163 595	1 133	34.55%	51.19%	Full consolidation
Venture Capital Companies							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	34 609	36 349	631	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	719	1 452	(329)		49.00%	Equity method
Insurance Companies							
BPI Vida e Pensões – Companhia de Seguros, S.A.	Portugal	143 486	5 946 540	10 119	100.00%	100.00%	Full consolidation
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	55 746	105 595	4 133	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	242 305	1 217 838	14 039	35.00%	35.00%	Equity method
Others							
BPI Capital Finance Ltd. [2]	Cayman Islands	1 809	1 812	22	100.00%	100.00%	Full consolidation
BPI Capital Africa (Proprietary) Limited	South Africa	(4 581)	2 262	(677)		100.00%	Full consolidation
BPI, Inc.	U.S.A	756	758	(3)	100.00%	100.00%	Full consolidation
BPI Locação de Equipamentos, Lda	Portugal	1 097	1 103	(5)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	158 191	165 343	5 348	100.00%	100.00%	Full consolidation
BPI Moçambique – Sociedade de Investimento, S.A.	Mozambique	735	1 291	(296)	98.40%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	100 684	340 832	9 090	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of June 30, 2015 (accounting balances before consolidation adjustments).

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

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union.

The standards (new or revised) and interpretations applicable to the operations of the BPI Group reflected in the financial statements as of June 30, 2015, are as follows:

- 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 obligating events for the recognition of a levy, clarifying when it should be recognised as a liability. This interpretation is of mandatory application for years beginning on or after June 17, 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 January 1, 2015.

- 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 February 1, 2015.

- IAS 19 – Employee Benefits: Defined benefit plans - employee contributions: this standard was amended to clarify the requirements regarding the way in which contributions from employees relating to services rendered must be linked to the periods of service. In addition, if the amount of the contributions is independent of the number of years in which the service is rendered, it allows the contributions to be recognised as a deduction from current service cost in the period in which the related service is rendered. These amendments are of mandatory application for years beginning on or after February 1, 2015.

The impact of the implementation of the new requirements of IFRIC 21 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.

B) MAIN ACCOUNTING POLICIES:

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

2.1. Comparability of information (IFRIC 21)

IFRIC 21 – Levies was endorsed by the European Union on June 13, 2014 and is of mandatory application for years beginning on or after June 17, 2014. The purpose of IFRIC 21 is to provide guidance as to when to recognize a liability for the payment of a levy imposed by the Government that is recorded in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of current legislation, Banco BPI changed its accounting policy for the recognition of the following levies:

- Extraordinary contribution over the banking sector - Banco BPI believes that the event that gives rise to the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which is June of the following year. Therefore, the corresponding liability related to the extraordinary contribution over the banking sector as well as its cost, have been recognized on a straight-line basis in the year preceding its payment. Prior to the application of IFRIC 21, Banco BPI recognized the cost of this contribution on a straight-line basis over the year in which the respective payment was made;
- Periodic contribution to the Deposit Guarantee Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Deposit Guarantee Fund is the receipt of the payment notification for that year. Therefore the liability for the annual contribution to the Deposit Guarantee Fund as well as its cost, are now fully recognized upon receipt of the payment notification for that year, usually during the month of April. Prior to the application of IFRIC 21, Banco BPI recognized the cost of this contribution on a straight-line basis over the year in which the payment was made;
- Periodic contribution to the Resolution Fund - Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Resolution Fund is the fact of being in operation on the last day of April of the year to which the periodic contribution refers, in accordance with Article 9 of Decree-Law 24/2013 of February 19. Therefore, the liability relating to the periodic contribution to the Resolution Fund, as well as its cost, are now being fully recognized in April of the year to which the contribution refers. Prior to the application of IFRIC 21 Banco BPI recognized the cost of the contribution on a straight-line basis over the year in which the payment was made.

Retrospective application of the requirements of IFRIC 21, as required by IAS 8, had the following impact:

	Consolidated shareholders' equity at Dec. 31, 13 (including net income for the year)	Consolidated net income as of June 30, 2014	Consolidated shareholders' equity at Jun. 30, 14 (including net income for the half year)	Consolidated net income as of Dec 31, 2014	Consolidated shareholders' equity at Dec. 31, 14 (including net income for the year)
Balances as reported (before the retrospective application of the change in accounting policy)	2 287 229	(106 615)	2 540 607	(163 623)	2 545 648
Impact of application of IFRIC 21					
Extraordinary contribution over the banking sector	(15 553)	(439)	(15 992)	(935)	(16 488)
Periodic contribution to the Deposit Guarantee Fund		(1 636)	(1 636)		
Periodic contribution to the Resolution Fund		(1 330)	(1 330)		
Income tax		689	689		
	(15 553)	(2 716)	(18 269)	(935)	(16 488)
Balances (proforma)	2 271 676	(109 331)	2 522 338	(164 558)	2 529 160

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, which is when the following conditions are met, cumulatively:

- Power over the company;
- Exposure, or rights, to variable returns from its involvement with the company; and
- Ability to use this power over the company to affect the amount of the variable returns.

In the case of investment funds managed by BPI Gestão de Activos, it is assumed that there is control whenever the BPI Group has a participation of more than 20%. In the case of investment funds managed by Inter-Risco, the BPI Group does not consolidate the funds in which, despite having a participation greater than 20%, it does not have control over the investment decisions.

Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. As a general rule, it is presumed that significant influence exists when the participation exceeds 20%.

The financial statements of subsidiary companies are consolidated using the full consolidation method. Significant intra-group transactions and account balances are eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the 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 January 1, 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

Consolidated net income is the sum of the individual net 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 November 1, 2008, the reference date of the changes made by the BPI Group was July 1, 2008. The reclassifications made on or after November 1, 2008 are effective only as from the reclassification date.

In Note 4.49 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 recognised in net income on financial operations in the caption "Gain and loss on the sale of loans and advances to customers." These gains or losses correspond to the difference between the sale price and the book value of those assets, net of impairment losses.

Loans designated as hedged assets are valued as explained in Note 2.3.8. 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 are also determined on an individual basis when they relate to: (i) groups with exposure of more than 250 t. euro in operations in the Commercial loans, Credit by signature, Mobile item leasing, Real estate leasing, Factoring, Confirming and other debtor balances (including derivatives) included in the Private individual and small business segment; (ii) customers with exposure equal to or exceeding 250 t. euro included in the Private Banking and International Private Banking segments, and (iii) loan operations monitored by the Financial Department.

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

Individual assessment

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

- Overall exposure of the customer and nature of the liabilities contracted with the Bank: financial or non-financial operations (namely, liabilities of a commercial nature or performance guarantees);
- Notation of client risk determined based on a calculation system implemented by the BPI Group. Risk notation includes, among others, the following characteristics:
  - Financial situation of the customer;
  - Risk of the business sector in which the customer operates;
  - Quality of 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 4.25, 4.29 and 4.51).

Considering its features, defined in Law 63 – A/2008 of November 24, re-published by Law 4/2012 of January 11 (Bank Recapitalisation Law), Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012, of the Portuguese Minister of State and Finance of June 28, 2012 and the requirements of 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 June 29, 2017, otherwise they will be converted into shares of the Issuer;
- The conversion referred to in the preceding paragraphs will be made through the delivery of a number of shares that cannot be determined prior to the occurrence of the event that determines the conversion, since (i) as defined in the Conversion Price contained in Section 1.1. of the above mentioned Terms and Conditions, the price depends on the listed / market value of the shares in the period prior to the occurrence of such event and (ii) the determination of the number of shares is based on the Conversion Price.

Contingent convertible subordinated bonds are valued at amortised cost, using the effective interest rate method.

The BPI Group concluded the repayment of the contingent convertible subordinated bonds to the Portuguese State on June 25, 2014.

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 January 1, 2004 have been recorded at their book value at the date of transition to IAS/IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.5. 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 recognised 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 recognised in the balance sheet.

Tangible assets available for sale are not depreciated.

Non-current assets are classified as held for sale whenever it is expected that their book value will be recovered through sale rather than through their continued use. In order to be classified as such, an asset must meet the following conditions:
• Its sale must be highly probable;
• The asset must be available for immediate sale in its present condition;
• The sale must be expected to be realized within one year from the date of classification in this caption.

Assets classified in this caption are not amortized, being valued at the lower of cost and fair value, less costs to be incurred with the sale

If book value is greater than fair value less costs to sell, an impairment loss is recognised in the caption "Impairment losses and other provisions, net".

The caption Non-current Assets held for sale at December 31, 2014 includes the investment in Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A., as the above requirements for that classification were met. The investment was valued based on its expected sales value. The sale was completed in the first half of 2015.

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 December 31, 2010 the majority of employees of the BPI Group was not covered by the Portuguese Social Security system.

With the publication of Decree-Law 1-A/2011 of January 3, all the bank employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime as from January 1, 2011, becoming covered by this regime as regards old age pensions and possible maternity, paternity and adoption, the cost of which the Bank no longer covers. Given the complementary nature of the rules of the Collective Labour Agreement for the Portuguese Banking Sector, the Bank will continue to cover the difference between the amount of the benefits paid under the General Social Security Regime for the items covered and the benefits established in the Collective Labour Agreement.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank’s responsibility.

Following the Three Party Agreement between the Government, the Credit Institutions and the Labour Unions for the Banking Sector, Decree-Law 127/2011 of December 31 was published, which establishes transfer to the Social Security of the liability for retirement and survivor pensions of retirees and pensioners which at December 31, 2011 were in that situation and were covered by the substitute social security regime included in the collective labour regulations in force for the banking sector (Pillar 1), as well as transfer to the Portuguese State of the part of the pension fund assets covering these liabilities.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates of the pensions mentioned above, according to the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the complementary benefits to the retirement and survivor pensions assumed by the Collective Labour Agreement; (iii) the contribution on retirement and survivor pensions for Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pension due to the family of a retired employee, in which the conditions for being granted occurred as from January 1, 2012.

The value of the pension fund assets transferred to the Portuguese State must be equal to the amount of the liabilities assumed by the Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables in accordance with the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73/77 less 1 year; female population: TV 88/90.

Transfer of the Bank’s pension fund assets was made entirely in cash.

The Bank transferred ownership of the assets under the following conditions: (i) up to December 31, 2011, the amount equivalent to 55% of the provisional present value of the liabilities; (ii) by June 30, 2012, the remaining amount to complete the current definitive amount of the liabilities, as a result of the final determination of the liabilities transferred, made by an expert independent entity hired for the purpose by the Ministry of Finance.

Since the transfer to the Social Security corresponds to settlement, with extinction of the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liabilities transferred based on the actuarial assumptions used by Banco BPI was recorded in the statement of income caption “Operating gains and losses”, as provided for in paragraph 110 of IAS 19.

In accordance with the Decree-Law 127/2011 of December 31, the cost incurred as a result of the transfer of the liability for retirement and survivor pensions of retired personnel and pensioners to the Social Security is tax deductible, in equal amounts, in the tax years beginning on or after January 1, 2012 based on the estimated average number of years of life expectancy of the pensioners whose liabilities were transferred, which is estimated at 18 years, and so the corresponding deferred tax asset relating to the amount settled was recognised in the statement of income.

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 June 30, 2015 and December 31, 2014 Banco BPI incorporated in its determination, information on interest rates that can be obtained on bonds of the Eurozone universe and that it considers to be of high quality in terms of credit risk. An analysis of the actuarial assumptions and, if applicable, their corresponding change, is carried out by the BPI Group as of June 30 and December 31 of each year. On December 31, 2014 the BPI Group changed the discount rate and the salary and pension increase rates. At June 30, 2015, the BPI Group did not change the actuarial assumptions because it considers that the assumptions as of December 31, 2014 are still applicable considering the current market conditions and expectations at the balance sheet date. 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 recognised in personnel costs, except the cost of the interest of all liabilities and expected return on pension funds that are recorded in net income on financial operations – interest and financial gain and loss with pensions.

At the transition date to IAS/IFRS, the BPI Group adopted the option, allowed under IFRS 1, of not recalculating actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group’s financial statements as of December 31, 2003 were reversed by corresponding entry to retained earnings at the transition date (January 1, 2004).

2.9. 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 December 31, 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 December 31, 2012.

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption "Other liabilities".

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost;
- gain and loss resulting from changes in the conditions of the benefits.

2.10. 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 June 25, 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 September 3, 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 (January 1) to the moment they become available to the employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to employees on the grant date (in the case of Executive Directors, after verifying the suspension terms and conditions). However, for accounting purposes, the shares remain in the Bank's treasury share portfolio until the date they are made available. The shares are then derecognised by corresponding entry to the amounts accumulated under the caption "Other equity instruments".

For purposes of the share-based payment in options, the BPI Group has created a portfolio of BPI shares in order to hedge the liability resulting from issuing call options over the BPI shares, following a delta hedging strategy (determined using a model to evaluate the BPI share options, developed in-house based on Black-Scholes methodology).

This strategy corresponds to the creation of a portfolio with delta shares for each option granted, delta corresponding to the relationship between evolution of the price of an option and evolution of the price of the underlying shares. The treasury shares held to hedge the risk of variation in the value of the options sold are recorded under the caption "Treasury shares hedging the share-based payment program", where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transfer of their ownership to the employees. At that time the Bank recognises a gain or loss resulting from the difference between the exercise price and the average cost of the treasury share portfolio hedging each program, less the cost of the option premiums accumulated in the caption "Other equity instruments".

Realised gains and losses on treasury shares in the coverage and exercise of the options of the share-based payment program, as well as the related taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.12. 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 December 31, 2011, in accordance with article 33 of the Statute of Tax Benefits. Under the provisions of article 34 of the Statute, for the purpose of applying this exemption, at least 85% of the taxable income of Banco BPI’s global operations was considered to result from activities outside the institutional scope of the Madeira and Santa Maria Free Trade Zones. This regime came into force on January 1, 2003. As from January 1, 2012 Banco BPI’s total net income became subject to the general Corporation Income Tax regime.

Current taxes are calculated based on the legal tax rates in force in the countries in which the Bank operates during the reporting period.

Deferred tax assets and liabilities correspond to the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities and their respective tax bases. Tax losses carried forward and tax credits also give rise to the recognition of deferred tax assets.

Deferred tax assets are recognised only to the extent of the probable existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities have been calculated using the tax rates decreed for the period in which the respective assets or liabilities are expected to be realised.

Current and deferred taxes are recognised in the statement of income, except for those relating to amounts recorded directly in shareholders’ equity (namely gains and losses on treasury shares and securities available for sale and actuarial deviations in retirement and survivor pension liabilities).

The BPI Group does not record deferred tax assets and liabilities on temporary deductible or taxable differences relating to investments in subsidiary and associated companies, as these differences are not expected to revert in the foreseeable future, except for the following:

- deferred tax liabilities relating to the estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the next year out of net income for the year, are recognised;
- deferred tax liabilities relating to all distributable net income of Banco Comercial e de Investimentos are recognised.

Net income distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of application of the regime established in article 51 of the 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 July 31, and operates in the life and non-life insurance brokerage areas.

In the insurance brokerage services area, Banco BPI sells insurance contracts. As remuneration for insurance brokerage services rendered, Banco BPI receives commission for brokering insurance contracts, which is defined in agreements/protocols established between Banco BPI and the Insurance Companies.

Commission received for insurance brokerage services refers to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through Banco BPI and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly;
- Commission for participation in the results of insurance, which is calculated annually and paid by the Insurance Company in the beginning of the year following that to which it refers (up to January 31).

Commission received for insurance brokerage services is 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. It also includes the Private Banking area which is responsible for implementing strategies and investment proposals presented to customers and ensures the management of their financial assets.
- Corporate Banking, Project Finance and Institutional Banking – includes commercial operations with companies with a turnover of more than 2 million euro and also with Retail Banking for the segment of up to 5 million euro. This also includes project finance services and relationships with entities of the Public Sector, Public and Municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of business centres, institutional centres and home banking services adapted to the business needs.

Investment banking

Investment banking covers the following business areas:

- Corporate finance – This includes rendering consultancy services relating to the analysis of investment projects and decisions, market privatisation operations and the structuring of merger and acquisition processes.
- Share department–Includes trading activities, financial instrument primary market, brokerage and research;
- Portfolio management – Includes services rendered to BPI Global Investment Fund Management Company, S.A in the management of BPI Alternative Fund – Iberian Equities Long Short.

Equity investments and others

This segment includes essentially Financial Investments and Private Equity activities. The BPI Group Private Equity area invests essentially in unlisted companies with the following objectives: the development of new products and technologies, financing of investments in working capital, acquisitions and the strengthening of financial autonomy.

This segment also includes the Bank's residual activity, such segments representing individually less than 10% of total income, net profit and the Group's assets.

Inter-segment operations are presented based on the effective conditions of the operations and application of the accounting policies used to prepare the BPI Group's consolidated financial statements.

The reports used by Management consist essentially of accounting information based on IFRS.

The BPI Group's balance sheet as of June 30, 2015 and investments in tangible and intangible assets during the period, by segment, are as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola	Others	Total	Inter segment operations	BPI Group
ASSETS										
Cash and deposits at Central Banks	401 992				401 992	1 610 843	1	1 610 844		2 012 836
Loans and advances to other credit institutions repayable on demand	878 633	65 366	14 907	(486 585)	472 321	133 280	4	133 284	(53 961)	551 644
Financial assets held for trading and at fair value through profit or loss	3 000 515	170 326		(7 170)	3 163 671	349 464	23	349 487		3 513 158
Financial assets available for sale	4 202 470	1 758	37 547		4 241 775	3 110 509		3 110 509		7 352 284
Loans and advances to credit institutions	2 231 682	66 575	2 895	(871 439)	1 429 713	1 048 735	2 048	1 050 783	(567 003)	1 913 493
Loans and advances to customers	22 911 050			(3 221)	22 907 829	1 389 280		1 389 280		24 297 109
Held to maturity investments	34 615			(12 221)	22 394					22 394
Hedging derivatives	111 711			(2 590)	109 121					109 121
Investment Property	154 777				154 777					154 777
Other tangible assets	55 774	944			56 718	141 420	316	141 736		198 454
Intangible assets	19 524	359			19 883	2 606	22	2 628		22 511
Investment in associated companies and jointly controlled entities	84 807		62 745		147 552		67 008	67 008		214 560
Tax assets	392 075	625	(389)		392 311	5 634	961	6 595		398 906
Other assets	795 879	8 065	106	(63 598)	740 452	(3 077)	259	(2 818)	(64 667)	672 967
TOTAL ASSETS	**35 275 504**	**314 018**	**117 811**	**(1 446 824)**	**34 260 509**	**7 788 694**	**70 642**	**7 859 336**	**(685 631)**	**41 434 214**
LIABILITIES										
Resources of central banks	1 520 137				1 520 137					1 520 137
Financial liabilities held for trading	321 852	52		(7 728)	314 176	18 049		18 049		332 225
Resources of other credit institutions	2 119 245	3 778	6 967	(121 271)	2 008 719	62	508	570	(620 964)	1 388 325
Resources of customers and other debts	22 638 825	122 807		(1 275 980)	21 485 652	6 769 802		6 769 802		28 255 454
Debt securities	1 227 358				1 227 358					1 227 358
Financial liabilities relating to transferred assets	956 058				956 058					956 058
Hedging derivatives	238 920			(1 438)	237 482					237 482
Provisions	78 161		9 910		88 071	31 670		31 670		119 741
Technical provisions	3 961 996				3 961 996					3 961 996
Tax liabilities	39 002	415	(935)		38 482	19 056	4 396	23 452		61 934
Other subordinated debt and participating bonds	83 530			(14 014)	69 516					69 516
Other liabilities	582 898	10 397	1 734	(26 393)	568 636	172 032	6 971	179 003	(64 667)	682 972
TOTAL LIABILITIES	**33 767 982**	**137 449**	**17 676**	**(1 446 824)**	**32 476 283**	**7 010 671**	**11 875**	**7 022 546**	**(685 631)**	**38 813 198**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 505 719	176 569	100 135		1 782 423	388 530	58 767	447 297		2 229 720
Minority interest	1 803				1 803	389 493		389 493		391 296
TOTAL SHAREHOLDERS' EQUITY	**1 507 522**	**176 569**	**100 135**		**1 784 226**	**778 023**	**58 767**	**836 790**		**2 621 016**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35 275 504**	**314 018**	**117 811**	**(1 446 824)**	**34 260 509**	**7 788 694**	**70 642**	**7 859 336**	**(685 631)**	**41 434 214**
Investments made in:										
Property	4				4	16 218		16 218		16 222
Equipment and other tangible assets	693	252			945	8 969	12	8 981		9 926
Intangible assets	1 127	109			1 236	952	15	967		2 203

The caption Other assets – Inter segment operations at June 30, 2015, includes 57 994 t.euro relating to dividends payable by BFA to Banco BPI for the year 2014. In August 2015, following the authorization request presented, BFA received a letter from Banco Nacional de Angola (BNA) stating that the dividends will be transferred in stages, 50% being transferred in 2015 and 50% in 2016.

The BPI Group's income statement for the period ended June 30, 2015, 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)	**151 063**	**(147)**	**(324)**		**150 592**	**161 955**	**(193)**	**161 762**		**312 354**
Gross margin on unit links	5 379				5 379					5 379
Income from equity instruments	1284		2 315		3 599					3 599
Net commission relating to amortised cost	9 882				9 882	4		4		9 886
Financial margin	**167 608**	**(147)**	**1 991**		**169 452**	**161 959**	**(193)**	**161 766**		**331 218**
Technical result of insurance contracts	19 401				19 401					19 401
Commission received	146 532	9 133		(26 314)	129 351	23 389	574	23 963	(625)	152 689
Commission paid	(36 984)	(6 017)	(9)	26 314	(16 696)	(4 744)		(4 744)	625	(20 815)
Other income, net	11 930	(1)			11 929	11 598		11 598		23 527
Net commission income	**121 478**	**3 115**	**(9)**		**124 584**	**30 243**	**574**	**30 817**		**155 401**
Gain and loss on operations at fair value	17 770	6 166			23 936	72 871		72 871		96 807
Gain and loss on assets available for sale	(1060)		108		(952)					(952)
Interest and financial gain and loss with pensions	(463)	(9)			(472)					(472)
Net income on financial operations	**16 247**	**6 157**	**108**		**22 512**	**72 871**		**72 871**		**95 383**
Operating income	13 297	5			13 302	678	164	842		14 144
Operating expenses	(15 329)	(199)			(15 528)	(1766)	(3)	(1769)		(17 297)
Other taxes	(2 821)	(333)			(3 154)	(7 704)	(162)	(7 866)		(11020)
Net operating expenses	**(4 853)**	**(527)**			**(5 380)**	**(8 792)**	**(1)**	**(8 793)**		**(14 173)**
Operating income from banking activity	**319 881**	**8 598**	**2 090**		**330 569**	**256 281**	**380**	**256 661**		**587 230**
Personnel costs	(142 860)	(4 541)	(105)		(147 506)	(40 419)	(1 152)	(41 571)		(189 077)
General administrative costs	(87 921)	(2 488)	(12)		(90 421)	(36 294)	(347)	(36 641)		(127 062)
Depreciation and amortisation	(9 143)	(47)			(9 190)	(8 250)	(64)	(8 314)		(17 504)
Overhead costs	**(239 924)**	**(7 076)**	**(117)**		**(247 117)**	**(84 963)**	**(1 563)**	**(86 526)**		**(333 643)**
Recovery of loans, interest and expenses	6 809				6 809	978		978		7 787
Impairment losses and provisions for loans and guarantees, net	(68 722)				(68 722)	(18 180)		(18 180)		(86 902)
Impairment losses and other provisions, net	(6 024)	3	(8 212)		(14 233)	(1802)		(1802)		(16 035)
Net income before income tax	**12 020**	**1 525**	**(6 239)**		**7 306**	**152 314**	**(1 183)**	**151 131**		**158 437**
Income tax	(8 438)	(718)	(250)		(9 406)	(15 959)	(176)	(16 135)		(25 541)
Earnings of associated companies (equity method)	4 914		3 815		8 729		4 008	4 008		12 737
Global consolidated net income	**8 496**	**807**	**(2 674)**		**6 629**	**136 355**	**2 649**	**139 004**		**145 633**
Income attributable to minority interest	(22)				(22)	(69 433)		(69 433)		(69 455)
Consolidated net income of the BPI Group	**8 474**	**807**	**(2 674)**		**6 607**	**66 922**	**2 649**	**69 571**		**76 178**
Cash flow after taxes	92 363	851	5 538		98 752	95 154	2 713	97 867		196 619

The BPI Group’s balance sheet as of December 31, 2014 Proforma and investments in tangible and intangible assets during the year, by segment, are as follows:

	Domestic operations					International operations				
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total	Angola	Others	Total	Inter segment operations	BPI Group
ASSETS										
Cash and deposits at Central Banks	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	696 690	15 293	1 942	(35 107)	678 818	40 965	5 450	46 415	(4 909)	720 324
TOTAL LIABILITIES	**34 096 733**	**500 348**	**24 769**	**(1 428 513)**	**33 193 337**	**7 565 877**	**9 617**	**7 575 494**	**(669 141)**	**40 099 690**
SHAREHOLDERS' EQUITY										
Shareholders' equity attributable to the shareholders of BPI	1 410 232	147 488	93 402		1 651 122	411 771	47 998	459 769		2 110 891
Minority interest	1 805				1 805	416 464		416 464		418 269
TOTAL SHAREHOLDERS' EQUITY	**1 412 037**	**147 488**	**93 402**		**1 652 927**	**828 235**	**47 998**	**876 233**		**2 529 160**
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 period ended June 30, 2014 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)	**117 540**	**1 836**	**(1 383)**		**117 993**	**102 833**	**(122)**	**102 711**		**220 704**
Gross margin on unit links	519	1 474			1 993					1 993
Income from equity instruments	1 143	101	2 121		3 365					3 365
Net commission relating to amortised cost	10 402				10 402	56		56		10 458
Financial margin	**129 604**	**3 411**	**738**		**133 753**	**102 889**	**(122)**	**102 767**		**236 520**
Technical result of insurance contracts	14 678	202			14 880					14 880
Commission received	120 864	28 120		(19 153)	129 831	19 865	200	20 065	(625)	149 271
Commission paid	(27 228)	(8 290)	(14)	19 153	(16 379)	(3 612)	(1)	(3 613)	625	(19 367)
Other income, net	7 609	41			7 650	9 361		9 361		17 011
Net commission income	**101 245**	**19 871**	**(14)**		**121 102**	**25 614**	**199**	**25 813**		**146 915**
Gain and loss on operations at fair value	11 160	6 265			17 425	55 569		55 569		72 994
Gain and loss on assets available for sale	(131 310)	218			(131 092)					(131 092)
Interest and financial gain and loss with pensions	840	(5)	(1)		834					834
Net income on financial operations	**(119 310)**	**6 478**	**(1)**		**(112 833)**	**55 569**		**55 569**		**(57 264)**
Operating income	15 826	3			15 829	350	52	402		16 231
Operating expenses	(22 862)	(418)			(23 280)	(591)	(1)	(592)		(23 872)
Other taxes	(1 906)	(386)			(2 292)	(5 483)	(36)	(5 519)		(7 811)
Net operating expenses	**(8 942)**	**(801)**			**(9 743)**	**(5 724)**	**15**	**(5 709)**		**(15 452)**
Operating income from banking activity	**117 275**	**29 161**	**723**		**147 159**	**178 348**	**92**	**178 440**		**325 599**
Personnel costs	(137 644)	(11 553)	(86)		(149 283)	(31 078)	(925)	(32 003)		(181 286)
General administrative costs	(86 394)	(6 076)	(15)		(92 485)	(28 238)	(277)	(28 515)		(121 000)
Depreciation and amortisation	(7 585)	(615)			(8 200)	(6 775)	(52)	(6 827)		(15 027)
Overhead costs	**(231 623)**	**(18 244)**	**(101)**		**(249 968)**	**(66 091)**	**(1 254)**	**(67 345)**		**(317 313)**
Recovery of loans, interest and expenses	7 452				7 452	1 026		1 026		8 478
Impairment losses and provisions for loans and guarantees, net	(94 052)	(15)			(94 067)	(5 995)		(5 995)		(100 062)
Impairment losses and other provisions, net	(4 771)	(86)			(4 857)	(1 462)		(1 462)		(6 319)
Net income before income tax	**(205 719)**	**10 816**	**622**		**(194 281)**	**105 826**	**(1 162)**	**104 664**		**(89 617)**
Income tax	31 819	(3 507)	49		28 361	(10 049)	268	(9 781)		18 580
Earnings of associated companies (equity method)	4 899		2 809		7 708		3 677	3 677		11 385
Global consolidated net income	**(169 001)**	**7 309**	**3 480**		**(158 212)**	**95 777**	**2 783**	**98 560**		**(59 652)**
Income attributable to minority interest	(658)				(658)	(49 021)		(49 021)		(49 679)
Consolidated net income of the BPI Group	**(169 659)**	**7 309**	**3 480**		**(158 870)**	**46 756**	**2 783**	**49 539**		**(109 331)**
Cash flow after taxes	(63 251)	8 025	3 480		(51 746)	60 988	2 835	63 823		12 077

4. NOTES

4.1. Cash and deposits at Central Banks

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Cash	339 642	446 448
Demand deposits at the Bank of Portugal	210 556	211 668
Demand deposits at foreign Central Banks	1 462 638	1 236 070
Accrued interest		17
	2 012 836	**1 894 203**

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 compulsory cash reserves. These deposits do not bear interest.

Compulsory cash reserves at June 30, 2015 are calculated in accordance with the terms of BNA Instruction 08/2015 of June 3 and are held in kwanzas and in dollars, based on the currency of the liabilities which serve as a basis for determining the amount and must be maintained during the whole period to which they refer. At June 30, 2015 the requirement to maintain compulsory cash reserves was calculated by application of the rate of 25% to the mathematical average of the eligible liabilities in kwanzas and 15% to the mathematical average of the eligible liabilities in other currencies. Compulsory cash reserves in kwanzas can be made up to 10% of the liability in Treasury Bonds, provided that they are issued as from January 2015.

At December 31, 2014 compulsory cash reserves were calculated under the terms of BNA Instruction 07/2014 of December 3 and must be held in kwanzas and in dollars, based on the currency of the liabilities which serve as a basis for determining the amount, and must be maintained during the whole period to which they refer. At December 31, 2014 the requirement to maintain compulsory cash reserves was calculated by application of the rate of 15% 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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Domestic Credit Institutions		
Demand deposits	3 858	3 244
Cheques for collection	179 919	59 795
Other	571	1 957
Foreign Credit Institutions		
Demand deposits	359 090	309 722
Cheques for collection	8 208	5 757
Impairment	(2)	
	551 644	**380 475**

Cheques for collection from domestic Credit Institutions correspond to cheques drawn by third parties against domestic credit institutions, which in general do not remain in this account for more than one business day.

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

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Financial assets held for trading		
Debt Instruments		
Bonds issued by Portuguese government entities	45 565	86 482
Bonds issued by foreign government entities	336 030	217 493
Bonds issued by other Portuguese entities		
Non-subordinated debt	15 936	17 095
Subordinated debt	92	
Bonds issued by foreign financial entities	182	
Bonds issued by other foreign entities		
Non-subordinated debt	39 642	35 363
	437 447	**356 433**
Equity instruments		
Shares issued by Portuguese entities	176 301	150 276
Shares issued by foreign entities	130 176	102 435
	306 477	**252 711**
Other securities		
Participating units issued by Portuguese entities	150	153
Participating units issued by foreign entities	105	98
	255	**251**
	744 179	**609 395**
Financial assets at fair value through profit or loss		
Debt Instruments		
Bonds issued by Portuguese government entities	48 337	83 372
Bonds issued by foreign government entities	1 481 127	1 486 446
Bonds issued by other Portuguese entities		
Non-subordinated debt	68 264	68 142
Subordinated debt	777	102
Bonds issued by other foreign entities		
Non-subordinated debt	95 171	86 501
Subordinated debt	2 103	2 245
	1 695 779	**1 726 808**
Equity instruments		
Shares issued by Portuguese entities	4 723	1 712
Shares issued by foreign entities	8 726	1 980
	13 449	**3 692**
Other securities		
Participating units issued by Portuguese entities	80 070	43 447
Participating units issued by foreign entities	709 575	344 360
	789 645	**387 807**
	2 498 873	**2 118 307**
Derivative instruments with positive fair value (Note 4.4)	**270 106**	**290 031**
	3 513 158	**3 017 733**

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

	Jun. 30, 15	Dec. 31, 14 Proforma
Debt Instruments		
Of public entities	1 529 464	1 569 818
Other entities	166 315	156 838
Equity Instruments	13 449	4 096
Other securities	752 886	358 550
Derivative instruments with positive fair value	2 547	1 099
	2 464 661	**2 090 401**

4.4. Derivatives

The caption "Derivative instruments held for trading" (Notes 4.3 and 4.17) is made up as follows:

	Jun. 30, 15			Dec. 31, 14 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	873	1	21	499	15	
Exchange forwards and swaps	1 206 244	18 295	18 259	1 471 401	1 656	2 800
Interest rate contracts						
Futures	123 069	2	1	93 630	36	1
Options	380 186	2 036	1 779	365 726	2 217	1 122
Swaps	5 487 232	198 928	220 217	5 673 703	236 076	256 228
Contracts over shares						
Futures	9 335	87	52	9 487	61	122
Swaps	353 782	4 913	36 212	313 424	2 630	21 805
Options	611 176	1 973	159	267 637	1 192	
Contracts over other underlying items						
Futures	222 625	490		50 519		
Options	67 898					
Others						
Options[2]	904 341	43 226	42 679	978 496	42 660	43 444
Others[3]	1 735 371		294	1 807 933		464
Overdue derivatives		155			3 488	
	11 102 132	**270 106**	**319 673**	**11 032 455**	**290 031**	**325 986**

[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:

	Jun. 30, 15			Dec. 31, 14 Proforma		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Futures	88 686	24	82	135 381	30	171
Swaps	10 119 993	105 879	233 469	12 370 356	148 645	312 488
Contracts over shares						
Swaps	677 714	3 218	3 914	499 815	18	14 471
Contracts over other underlying items						
Swaps	3 262		17	9 232		89
	10 889 655	**109 121**	**237 482**	**13 014 784**	**148 693**	**327 219**

[1] In the case of swaps and forwards only the asset amounts were considered.

The BPI Group's operations include carrying out derivative transactions to manage its own positions based on expectations regarding market evolution, to meet the needs of its customers or hedge positions of a structural nature (hedging).

The BPI Group carries out financial derivative transactions in the form of contracts over exchange rates, interest rates, goods and metals futures price, shares or share indices (relating, among others, to inflation, shares) or a combination of these. These transactions are realised in over-the-counter (OTC) markets and in organised markets (especially stock exchanges).

Derivatives traded on organised markets follow the standards and rules of these markets.

Derivatives traded on the over-the-counter (OTC) markets are normally based on a standard bilateral contract that covers the group of operations over derivatives between the parties. In the case of inter-professional relationships, there is an ISDA – International Swaps and Derivatives Association Master Agreement. In the case of relations with customers there is a BPI contract.

These types of contract include offsetting responsibilities in the event of non-compliance (the scope of the offsetting is established in the contract itself and is regulated by Portuguese legislation and, in the case of contracts with foreign counterparties or subject to foreign legislation, by the appropriate legislation).

Derivative contracts can also include an agreement to collateralise the credit risk generated by the transactions covered by them. Derivative contracts between two parties normally include all the derivative OTC transactions carried out between the two parties, irrespective of whether they are for hedging purposes or not.

In accordance with IAS 39, the parts of operations normally known as “embedded derivatives” are also considered separately and recorded as derivatives, in order to recognise, in net income, the fair value of these operations.

All derivatives (embedded or autonomous) are recorded at market value.

Derivatives are also recorded as off balance sheet items by their theoretical value (notional value). Notional value is the reference value for purposes of calculating the flow of payments and receipts resulting from the operation.

Market value (fair value) corresponds to the value of the derivatives if they were traded on the market on the reference date. Changes in the market value of derivatives are recognised in the appropriate balance sheet accounts and have an immediate effect on net income.

Note 4.49 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 June 30, 2015 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	>6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**894 048**	**20 022**	**292 174**			**1 206 244**
Forwards	441 437	17 958	291 459			750 854
Swaps	452 611	2 064	715			455 390
Interest rate contracts	**2 007 987**	**2 154 035**	**3 303 032**	**5 206 519**	**3 315 838**	**15 987 411**
Swaps	1 988 686	2 019 200	3 216 221	5 079 652	3 303 466	15 607 225
Options	19 301	134 835	86 811	126 867	12 372	380 186
Contracts over indexes and shares	**525 725**	**21 126**	**208 846**	**842 957**	**41 000**	**1 639 654**
Swaps	478 050	21 126	108 748	423 572		1 031 496
Options	47 675		100 098	419 385	41 000	608 158
Contracts over other underlying items			**3 262**			**3 262**
Swaps			3 262			3 262
Others	**224 428**	**556 466**	**120 714**	**1 275 918**	**462 186**	**2 639 712**
Options	224 428	13 625	120 714	478 321	67 253	904 341
Others		542 841		797 597	394 933	1 735 371
	3 652 188	**2 751 649**	**3 928 028**	**7 325 394**	**3 819 024**	**21 476 283**
Organized markets						
Exchange rate contracts	**873**					**873**
Futures	873					873
Interest rate contracts	**156 009**	**17 871**	**23 406**	**14 469**		**211 755**
Futures	156 009	17 871	23 406	14 469		211 755
Contracts over indexes and shares	**9 335**		**3 018**			**12 353**
Futures	9 335					9 335
Options			3 018			3 018
Contracts over other underlying items	**290 523**					**290 523**
Futures	222 625					222 625
Options	67 898					67 898
	456 740	**17 871**	**26 424**	**14 469**		**515 504**
	4 108 928	**2 769 520**	**3 954 452**	**7 339 863**	**3 819 024**	**21 991 787**

At December 31, 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 June 30, 2015 the distribution of derivative operations, by counterparty external rating, was as follows:

	Jun. 30, 15			
	Notional Value[1]	Gross exposure [2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AA-	1 190 377	5 323	2 138	273
A+	1 209 084	4 641	2 301	2 301
A	3 831 832	65 247	45 428	3 511
A-	2 467 632	13 658	2 302	922
BBB+	2 294 153	16 297	1 625	191
BBB	760 350	22 816	5 235	2 375
BBB-	2 947 013	27 672		
BB	715			
BB-	87 854	7 539	3 956	346
N.R.	4 047 561	226 675	225 534	199 534
	18 836 571	**389 869**	**288 519**	**209 452**
Traded on the stock exchange				
Futures[5]	515 504			
	515 504			
	19 352 075	**389 869**	**288 519**	**209 452**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 2 639 712 t. 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 December 31, 2014 the distribution of derivative operations, by counterparty external rating, was as follows:

	Dec. 31, 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, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

[1] Does not include embedded derivatives and other options in the amount of 2 786 429 t. 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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Debt instruments		
Bonds issued by Portuguese government entities	3 020 129	3 352 382
Bonds issued by foreign government entities	3 666 245	3 226 519
Bonds issued by other Portuguese entities		
Non-subordinated debt	500	498
Bonds issued by other foreign entities		
Non-subordinated debt	190 265	139 068
Subordinated debt	163 747	491 125
	7 040 886	**7 209 592**
Equity instruments		
Shares issued by Portuguese entities	68 430	70 000
Impairment	(28 403)	(27 851)
Quotas	57 829	59 844
Shares issued by foreign entities	39 602	39 476
Impairment	(18 595)	(18 524)
	118 863	**122 945**
Other securities		
Participating units issued by Portuguese entities	231 416	230 921
Impairment	(43 451)	(41 611)
Participating units issued by foreign entities	5 133	4 418
Impairment	(1 784)	(1 734)
	191 314	**191 994**
Loans and other receivables	22 828	22 606
Impairment	(21 607)	(21 359)
	1 221	**1 247**
Overdue bonds		1 045
Impairment on overdue bonds		(1 045)
	7 352 284	**7 525 778**

Banco BPI holds a portfolio of fixed rate bonds, issued by national and international entities, in which the interest rate risk is hedged by derivative instruments.

In the first half of 2014 the BPI Group sold bonds issued by Portuguese and foreign government entities with a nominal value of 850 000 t. euro and 487 500 t. euro, respectively. The impact of the sale was recognised in “Net income on financial operations”.

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

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

The changes in impairment losses and provisions in the first half of 2015 and 2014 are shown in Note 4.22.

At June 30, 2015 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit						
		Nominal	Listing / Price	Cost	Book Value / Fair Value [1]	Net gain/ (loss) on securities [2]	Hedge accounting effect [2]	Impairment
Debt Instruments								
Issued by Portuguese Entities								
Portuguese Public Debt								
Treasury Bills								
BILHETES DO TESOURO - CZ 17.07.2015	154 984 000	100	100	154 843	154 982	7		
BILHETES DO TESOURO CZ-18.12.2015	278 122 000	100	100	277 716	278 005	77		
BILHETES DO TESOURO-CZ-18.03.2016	374 483 000	100	100	374 299	374 202	(141)		
BILHETES DO TESOURO-CZ-18.09.2015	295 825 000	100	100	295 641	295 772	1		
BILHETES DO TESOURO-CZ-20.05.2016	277 393 000	100	100	277 270	276 977	(302)		
BILHETES DO TESOURO-CZ-20.11.2015	329 177 000	100	100	328 822	329 068	38		
BILHETES DO TESOURO-CZ-21.08.2015	98 000 000	100	100	97 861	97 997	21		
BILHETES DO TESOURO-CZ-22.01.2016	373 000 000	100	100	372 510	372 821	114		
				2 178 962	**2 179 824**	**(185)**		
Treasury Bonds								
OT - 3.35% (15.10.2015)	100 000	0.01	100.93	139	103	2		
OT - 4.35% (16.10.2017)	1 550 000	0.01	108.18	1 627	1 725	78		
OT - 4.75% (14.06.2019)	740 000 000	0.01	113.10	785 666	838 477	76 550	(95 714)	
				787 432	**840 305**	**76 630**	**(95 714)**	
Other Residents								
Non - Subordinated debt								
Other Bonds								
SEMAPA - 2006/2016	500 000	50 000.00	49 850.00	495	500	(1)		
				495	**500**	**(1)**		
Issued by non - residents								
By foreign government entities								
Bonds								
BILHETES DO TESOURO - Angola	108 310 594	7.39		754 581	771 629			
BUONI POLIENNALI DEL T-4.25%-01.09.2019	312 500 000	1000.00	1 131.80	319 558	358 078	38 226	(44 499)	
BUONI POLIENNALI DEL T-4.5%-01.03.2019	175 000 000	1000.00	1 130.90	185 458	200 511	18 867	(23 545)	
OBRIGAÇÕES DO TESOURO - AKZ - Angola	2 076 119	738.93		1 987 176	2 023 587			
OBRIGAÇÕES DO TESOURO - USD - Angola	44 734	147.79		305 541	312 440			
				3 552 314	**3 666 245**	**57 093**	**(68 044)**	
Others non - residents								
Non - subordinated Debt								
Bonds								
ALLIANZ FINANCE BV-4.375% PERP.	47 500 000		103.53	44 578	49 931	2 064	(3 243)	
ATLANTES MORTGAGE -SR.1-CL.A (17.12036)	647 767	12 955.33	12 759.32	565	639	(10)		
BARCLAYS BANK PLC-TV-25.05.2017	2 777 078	39 672.54	32 479.91	2 006	2 274	(203)		
CELF LOAN PART.BV-SR.2005-1X CL.A 2021	1560	195	195	2	2			
COSAN FINANCE LTD-7%-01.02.2017	17 874 698	893.73	950.08	17 686	19 519	1 195	(1 601)	
DUCHESS-SR.V-X CL.B-TV.25.05.2021	40 166	50.21	48.32	37	39			
EIRLES TWO LIMITED-TV. PERP.	800 000	100 000.00	68 350.00	794	550	(253)		
GAZ CAPITAL(GAZPROM)-6.212% (22.11.2016)	29 046 385	893.73	924.47	28 946	30 236	1 013	(1 861)	
KION MORTGAGE FIN SR.06-1CL.A-15.07.51	68 606	1 071.97	836.84	68	54	(15)		
LAFARGE-4.25% (23.03.2016)	30 000 000	1000.00	1024.41	29 576	31 077	829	(998)	
LAFARGE-6.5%-15.07.2016	8 043 614	893.73	935.27	8 271	8 657	350	(399)	
OTE PLC-4.625%-20.05.2016	25 000 000	50 000.00	46 795.00	24 919	23 527	(1 593)	(849)	
PORTUGAL TELCM INT FIN-4.375%(24.3.2017)	23 000 000	1000.00	1 021.33	22 133	23 760	852	(1 816)	
				179 581	**190 265**	**4 229**	**(10 767)**	

[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					
Subordinated Debt								
Bonds								
AVOCA CLO SR.IV-X CL.B-TV.(18.02.2022)	800 000	100 000.00	99 130.00	746	794	(3)		
BANCO SABADELL-5.234%-PERPETUA	50 000	50 000.00	47 750.00	49	50	(2)		
C8 CAPITAL SPV -TV - PERPETUA	58 092 770	893.73	784.25	57 849	50 976	(7 116)		
GENERALI FINANCE BV - 5.479% - PERPETUAS	75 000 000	50 000.00	50 994.50	75 979	78 091	1323	(4 985)	
GRANITE MASTER-SR.2006-1A-CL.A5-20.12.54	390 453	70.99	70.62	386	388	(2)		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2C	500 000	100 000.00	103 251.40	499	516	16		
GRANITE MORTG.-TV(20.3.2044)-SR.04-1/2M	500 000	100 000.00	100 665.30	499	503	3		
GRANITE MORTG.-TV(20.9.2044)-SR.04-3/2C	153 488	383.72	383.85	152	154			
HARBOURMASTER CLO-S.4X-CL.A3(11.10.2019)	216 868	0.43	0.43	213	215	(1)		
LUSITANO MTGE-SR.1-CL.D-TV (15.12.2035)	200 000	100 000.00	82 210.00	198	165	(36)		
MADRID RMBS FTA-SR.06-1CL.A2-22.06.2049	188 057	47 014.31	43 551.75	185	174	(11)		
OLD MUTUAL PLC-OB.PERPETUA	14 000 000	1000.00	999.52	13 903	14 450	7	(197)	
PELICAN MORTGAGES-2/B (15.9.2036)	290 000	10 000.00	9 150.96	286	266	(25)		
RHODIUM BV - SR.1X- CL.C (27.5.2084)	800 000	100 000.00	85 000.00	785	681	(120)		
SIEMENS FINANCIERINGSMAT-5.25% 14.9.2066	15 000 000	1000.00	1046.73	15 250	16 324	665	(747)	
				166 979	**163 747**	**(5 302)**	**(5 929)**	
Equity instruments								
Issued by residents								
Shares								
AGROGARANTE SA	637 320	100	100	637	637			
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	21900	5.00		110				110
BOMBARDIER TRANSPORTATION PORTUGAL SA	1	5.00						
BUCIQUEIRA SGPS	8	5.00		1	1			
Cª AG.FONTE SANTA MONFORTINHO-D.SUB/E.98	10	5.00						
CADERNO VERDE - COMUNICAÇAO (C)	134 230	100		967				967
CARMO & BRAZ (C)	65 000	4.99						
CIMPOR - CIM.DE PORTUGAL-SGPS	3 565	100	0.96	7	3	(3)		
COMPª AURIFICIA - N	1 186	7.00	1 111.30	25	1318	1293		
COMPª PRESTAMISTA PORTUGUEZA	10	100						
COMPª.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	100	3.89	315	496	422		240
DIGITMARKET-SIST.INF.-N	4 950	100		743				743
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	835 420	100	100	835	835			
GEIE - GESTÃO ESPAÇOS INC.EMPRESARIAL(C)	12 500	100		13				13
GESTINSUA - AQ.AL.PATRIMONIOS IMOB.MOB.	430	5.00		2				2
GREGORIO & CA.	1 510	4.99		4	4			
IMPRESA SGPS	6 200 000	0.50	0.85	22 791	5 271	3 348		20 868
INCAL-IND.E COM.DE ALIMENTAÇÃO	2 434	1.13		2	2			
INTERSIS AUTOMAÇAO, ENG.DE SISTEMAS	42 147	4.99		1307				1307
J.SOARES CORREIA-ARMAZENS DE FERRO	84	5.00		2	2			
JOTOCAR - JOÃO TOMAS CARDOSO - P	3 020	4.99		8	8			
LISGARANTE - SOC.DE GARANTIA MUTUA	229 365	100	100	229	229			
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	100		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.)								
NET - NOVAS EMPRESAS E TECNOLOGIAS - N	20 097	5.00	3.00	73	60	(13)		
NEWPLASTICS	1445	100		1	1			
NEXPONOR-SICAFI	1933 840	5.00	3.83	9 669	7 405			2 264
NORGARANTE - SOC.DE GARANTIA MUTUA	30 350	100	100	30	30			
NOTORIOUSWAY, SA	2 500	100		3	3			
NUTROTON SGPS - C	11395	5.00	4.38	50	50			
OFICINA DA INOVACAO	10 000	5.00	7.22	50	72	32		10
PORTO DE CAVALEIROS , SGPS	2	4.99						
PORTUGAL CAP. VENTURES-SOC.CAP.RISCO	500 641	5.00	5.68	2 692	2 844	152		
PRIMUS - PROM.DESENVOLVIMENTO	8 000	100		40	16			24
SALVOR - SOC.INV.HOTELEIRO - P	10	5.00						
SANJIMO - SOCIEDADE IMOBILIARIA	1620	4.99		8				8
SAPHETY LEVEL - TRUSTED SERVICES	5 069	100		98				98
SDEM -SOC.DE DESENV.EMPR.MADEIRA,SGPS-N	937 500	100	0.29	938	273			665
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	1000 000	100	0.93	1250	929			321
SOMOTEL-SOC.PORTUGUESA DE MOTEIS	1420	2.50						
SONAE - SGPS	36 868	100	1.18	69	43	29		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	1500	5.00		7	7			
STAR - SOC. TURISMO E AGENCIAS RIBAMAR	533	4.99		3	3			
TAEM - PROCESSAMENTO ALIMENTAR,SGPS, SA	125	100						
TAGUSPARQUE - N	436 407	5.00		2 177	2 177			
TEIXEIRA DUARTE S.A.CAP.RED.2012	672 294	0.50	0.54	534	362	(173)		
TELECINE MORO - SOC.PRODUTORA DE FILMES	170	4.99		1				1
TEROLOGOS-TECNOLOGIAS DE MANUTENÇÃO - P	7 960	4.99		40	40			
TEXTIL LOPES DA COSTA	4 900	4.99		8				8
TUROPA-OPERADORES TURISTICOS	5	4.99						
UNICER - BEBIDAS DE PORTUGAL	1002	100	8.07	8	8			
VIALITORAL - CONC. RODOVIARIA MADEIRA	4 750	16125	766.95	792	3 643	2 851		
VNCORK SGPS	151	100						
XELB-CORK - COM.E INDUSTRIA DE CORTIÇA	87	4.99						
				51 263	**40 027**	**17 169**		**28 403**
Quotas								
PROPAÇO - SOC.IMOB.DE PAÇO D'ARCOS		100		1	1			
VIACER - SOC.GEST.PART.SOCIAIS, SA		100		48 160	57 828	9 668		
				48 161	**57 829**	**9 668**		
Issued by non residents								
Shares								
ALTITUDE SOFTWARE B.V.	6 386 243	0.04		13 810				13 810
AMSCO -USD	1807	893.73		894				894
BVDA				269	269			
CAIXABANK ELECTRONIC MONEY, EDE, SL	35 000	100		88	88			
CLUB FINANCIERO VIGO	1	15 626.31		18	12			6
CORPORACIÓN FINANCIERA ARCO (TROCA ARCO E	7 786	100.00	98.61	4 399	768			3 631
CREDIT LOGEMEN DEVELOPMENT	20	70.00	70.00	1	1			
EASDAQ NV	100	142		25				25
EMIS-EMPRESA INTERBANCÁRIA DE SERVIÇOS (CAPITAL)				2 472	2 472			
EUROPEAN INVESTMENT FUND	14	1000 000.00	1199 799.33	15 325	16 797	1472		
GROWELA CABO VERDE	19 000	9.13		173				173
IMC-INSTITUTO DO MERCADO DE CAPITAIS INTERBANCOS				2	2			
NCG BANCO SA	18 588	100		29				29
OSEO - SOFARIS	13	107.89	107.89	2	2			
S.W.I.F.T.	97	125.00		216	216			
SOPHA(BFA E FESA)				3	3			
THARWA FINANCE - MAD	20 895			197	274	77		
UNIRISCO GALICIA	80	1202.02	1286.23	96	103	34		27
VISA EUROPE LIMITED	1	10.00						
				38 019	**21 007**	**1 583**		**18 595**

[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					
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	100	0.99	7 273	7 187	(86)		
FCR - FUNDO REVITALIZAR NORTE	7 272 728	100	0.99	7 273	7 190	(82)		
FCR - FUNDO REVITALIZAR SUL - CAT.A2	1 818 182	100	0.98	1 818	1 785	(33)		
FCR - FUNDO REVITALIZAR SUL - CAT.B2	1 818 181	100	0.98	1 818	1 786	(33)		
FCR - FUNDO REVITALIZAR SUL - CAT.C2	1 818 182	100	0.98	1 818	1 786	(33)		
FCR F-HITEC (ES VENTURES)	500 000	100	1.26	500	631	131		
FCR PORTUGAL VENTURES GPI	9	25 000.00	19 733.45	200	180	3		22
FCR PORTUGAL VENTURES-FIEP	3 744	1000.00	755.27	3 744	2 828			916
FCR PV ACTEC - CATEGORIA A1	67 249	100	0.98	78	66			12
FCR PV ACTEC - CATEGORIA B1	290 145	100	0.98	337	285			52
FCR-PORTUGAL VENTURES TURISMO	164	24 939.89	7 988.04	3 568	1 310			2 258
FCR-PORTUGAL VENTURES VALOR 2	131	3 420.24	3 642.81	2 630	476	31		2 185
FUNDO CAP. RISCO TURISMO INOVACAO CAT.B	12	50 000.00	55 666.38	600	668	68		
FUNDO CARAVELA	3 121	3 738.80	3 081.48	11 751	9 617	(2 133)		
FUNDO INTER-RISCO II - F.C.R.- CL.A	7 500	5 000.00	3 701.73	37 500	27 763			9 737
FUNDO INTER-RISCO II CI-FUNDO C.DE RISCO	6 000	5 000.00	4 845.00	30 144	29 070	(1 074)		
FUNDO RECUPERACAO,FCR-CATEGORIA B	95 000	1000.00	754.18	95 000	71 647			23 353
FUNDO RECUPERACAO,FCR-CATEGORIA C	20 000	1000.00	754.18	20 000	15 083			4 916
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR	5 607	1000.00	979.32	5 607	5 491	(116)		
INEGI INSTITUTO DE ENGENHARIA MECANICA	5 000			25	25			
UNICAMPUS-FEIIF	3 000	1000.00	1003.64	3 000	3 011	11		
				234 764	**187 965**	**(3 346)**		**43 451**
Issued by non residents								
Participating Units								
FUNDO BPI-EUROPA	23 405	0.01	14.57	171	341	170		
PORTUGAL VENTURE CAPITAL INITIATIVE-PVCI	4 792 037	100	0.63	4 792	3 008			1 784
				4 963	**3 349**	**170**		**1 784**
Loans and others receivables								
Loans and Shareholder's loans								
EMIS - EMPRESA INTERBANCÁRIA DE SERVIÇOS (SUPRIMENTOS)					106			
MORETEXTILE SGPS, SA								11 856
NEWPLASTIC								1 521
PETROCER SGPS, LDA					200			
PROPACO-IMOBILIARIA DE PACO D'ARCOS					860			4 353
SAPHETY Level - Trusted Services SA					55			154
TAEM-PROCESSAMENTO ALIMENTAR								3 562
VNCORK-SGPS,SA								161
					1 221			**21 607**
				7 242 933	**7 352 284**	**157 708**	**(180 454)**	**113 840**

[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 June 30, 2015 and December 31, 2014, the portfolio of financial assets available for sale included 72 066 t. euro and 68 281 t. euro, respectively, relating to securities and shareholders' loans subscribed for by Banco BPI under transfer of assets operations:

	Jun. 30, 15				
	Subscribed securities under operations of transfer of assets				
	Participating units and shares	**Shareholder's loans[1]**	**Impairment in participating units and shares**	**Impairment in shareholder's loans**	**Net Value**
Fundo de Recuperação, FCR [2]	96 412	15 151	(28 269)	(15 151)	68 143
Fundo de Reestruturação Empresarial, FCR	3 923				3 923
	100 335	15 151	(28 269)	(15 151)	72 066

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

[1] Does not include interest in the amount of 1 949 t. euro, for which impairment of 100% has been recorded.

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

	Dec. 31, 14				
	Subscribed securities under operations of transfer of assets				
	Participating units and shares	**Shareholder's loans[1]**	**Impairment in participating units and shares**	**Impairment in shareholder's loans**	**Net Value**
Fundo de Recuperação, FCR [2]	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

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

[1] Does not include interest in the amount of 1 737 t. euro, for which impairment of 100% has been recorded.

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

Operations relating to the transfer of assets carried out by Banco BPI include the sale of loans granted to operating industrial and hospitality companies, which, because of the change of the economic environment, were having difficulties in complying with their financial commitments to the Bank. All the assets sold correspond to loans to corporate customers of Banco BPI, no real estate having been traded.

Following the ceding of loan operations, they were derecognized from the balance sheet, as all the requirements of IAS 39 on this matter were fulfilled, namely transfer of a substantial part of the risks and benefits relating to the ceded loan operations, and therefore control. Additionally, Banco BPI does not consolidate the funds and companies that own the assets as it only has a minority participation in them. The loans sold, net of impairment, totalled 78 497 t. euro at June 30, 2015 and December 31, 2014.

	Jun. 30, 15			
	Amounts related to the transferred assets			
	Gross assets transferred	Impairment on transferred assets	Sale amount	Result on the sale date[1]
Fundo de Recuperação, FCR [2]	123 730	48 967	98 289	10 635
Fundo de Reestruturação Empresarial, FCR	3 734		3 734	
	127 464	**48 967**	**102 023**	**10 635**

[1] The result determined on the sale date is deducted from impairment recorded for shareholders' loans on the transaction date.

[2] Includes sales to companies controlled by Fundo de Recuperação, FCR.

	Dec. 31, 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.

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Loans and advances to other Portuguese credit institutions		
Very short term loans and advances	30 556	10 378
Deposits	133 785	308 394
Other loans	76 700	80 000
Securities purchased with resale agreements	54 651	71 740
Other advances	3 041	2 158
Accrued interest	470	655
	299 203	**473 325**
Loans and advances to other foreign Central Banks		1 008 468
Loans and advances to other foreign credit institutions		
Very short term loans and advances	705 567	426 201
Deposits	482 737	143 478
Loans	44	44
Securities purchased with resale agreements	8 296	
Other loans and advances	414 736	528 443
Accrued interest	2 914	8 878
	1 614 294	**2 115 512**
Commission relating to amortised cost (net)	(4)	(18)
	1 913 493	**2 588 819**
Impairment		(2)
	1 913 493	**2 588 817**

The changes in impairment losses and provisions in the first half of 2015 and 2014 are presented in Note 4.22.

4.7. Loans and advances to customers

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Loans		
Domestic loans		
Companies		
Discount	112 112	109 793
Loans	4 558 068	4 575 456
Commercial lines of credit	796 211	718 210
Demand deposits - overdrafts	138 176	93 588
Invoices received - factoring	317 722	370 973
Finance leasing	264 299	240 671
Real estate leasing	328 242	338 950
Other loans	29 386	20 478
Loans to individuals		
Housing	10 899 160	11 023 969
Consumer	667 206	672 353
Other loans	468 133	466 521
Foreign loans		
Companies		
Discount	242	357
Loans	2 118 980	2 734 100
Commercial lines of credit	199 839	260 378
Demand deposits - overdrafts	15 527	10 394
Finance leasing	310	384
Real estate leasing	1 002	781
Other loans	48 364	275 394
Loans to individuals		
Housing	175 109	106 943
Consumer	257 904	268 614
Other loans	85 264	88 759
Accrued interest	71 055	69 496
	21 552 311	**22 446 562**
Securities		
Issued by Portuguese government entities	135 423	99 983
Issued by other Portuguese entities		
Non subordinated debt securities		
Bonds	1 276 315	1 314 235
Commercial paper	822 481	833 708
Subordinated debt securities	11 800	11 800
Issued by other foreign entities		
Non subordinated debt securities		
Bonds	450 067	471 081
Commercial paper	497	
Subordinated debt securities	4 500	20 500
Accrued interest	17 703	16 989
Deferred interest	(804)	(521)
	2 717 982	**2 767 775**
Correction of the amount of hedged assets	36 652	44 659
Commission relating to amortised cost (net)	1 680	2 941
	24 308 625	**25 261 937**
Overdue loans and interest	980 583	1 043 693
Loan impairment	(992 099)	(1 036 661)
	24 297 109	**25 268 969**

Loans and Advances to Customers include the following non-derecognized securities assets:

	Jun. 30, 15	Dec. 31, 14 Proforma
Non-derecognised securitised assets [1]		
Loans		
Housing	3 173 484	4 362 912
Loans to SME's	2 955 912	3 162 490
Accrued interest	15 439	17 686
	6 144 835	**7 543 088**

[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 June 30, 2015 and December 31, 2014 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:

- 5 681 570 t. euro and 5 772 866 t. euro, respectively, allocated as collateral to mortgage bonds,
- 695 675 t. euro and 672 417 t. euro, respectively, allocated as collateral to public sector bonds.

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

	Jun. 30, 15	Dec. 31, 14 Proforma
Debt instruments		
Issued by Portuguese government entities	99 993	99 983
Issued by other Portuguese entities	1 391 660	1 422 356
Issued by other foreign entities	447 490	472 205
	1 939 143	**1 994 544**

The changes in impairment losses and provisions in the first half of 2015 and 2014 are presented in Note 4.22.

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At June 30, 2015 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Exposure					Impairment		
	Total Exposure [1]	**Credit-not at-risk**	Of which restructured	**Credit-at-risk**	Of which restructured	Total impairment	**Credit-not at-risk**	**Credit-at-risk**
DOMESTIC ACTIVITY	**23 696 888**	**22 554 452**	**1 039 432**	**1 142 436**	**424 903**	**899 262**	**288 135**	**611 127**
Corporate banking	3 924 917	3 585 122	345 577	339 795	199 351	290 799	89 163	201 636
Large Companies	1 428 127	1 345 233	84 231	82 894	50 874	80 434	34 058	46 376
Medium-sized Companies	2 496 790	2 239 889	261 346	256 901	148 477	210 365	55 105	155 260
Project Finance - Portugal	1 171 731	1 070 601	133 478	101 130	37 924	79 448	21 106	58 342
Madrid	1 156 747	1 014 393	149 253	142 354	52 667	114 366	28 894	85 472
Project Finance	662 797	584 667	114 243	78 130	16 625	61 361	19 191	42 170
Corporate	493 950	429 726	35 010	64 224	36 042	53 005	9 703	43 302
Public Sector	1 408 920	1 408 534	116 773	386	138	2 045	2 022	23
Central Administration	210 083	210 083						
Regional and local administration	809 582	809 463	78 945	119	2	11	2	9
State Corporate Sector – in the budget perimeter	42 061	42 061				2	2	
State Corporate Sector – outside the budget perimeter	314 859	314 859	37 828			1 985	1 985	
Other institutional	32 335	32 068		267	136	47	33	14
Individuals and Small Businesses Banking	13 728 434	13 172 509	294 351	555 925	134 823	401 381	136 053	265 328
Mortgage loans to individuals	11 204 916	10 813 911	178 278	391 005	77 585	242 265	100 194	142 071
Consumer credit / other purposes	578 375	548 378	27 604	29 997	11 480	29 808	5 602	24 206
Credit cards	162 605	156 740	23	5 865	2	7 162	2 111	5 051
Car financing	134 781	132 012	111	2 769	92	1 898	484	1 414
Small businesses	1 647 757	1 521 468	88 335	126 289	45 664	120 248	27 662	92 586
Others [2]	2 306 139	2 303 293		2 846		11 223	10 897	326
INTERNATIONAL ACTIVITY	**1 466 034**	**1 373 318**	**713**	**92 716**	**36 569**	**92 837**	**47 438**	**45 399**
Total	**25 162 922**	**23 927 770**	**1 040 145**	**1 235 152**	**461 472**	**992 099**	**335 573**	**656 526**

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

[2] Includes 1 939 143 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At December 31, 2014 Proforma 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 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At June 30, 2015 the amount of the exposure and impairment of loans and advances to customers was made up as follows:

Segment	Total Exposure [1]	Total exposure				Total Impairment	Total Impairment			
		Credit - not at - risk		Credit - at - risk			Credit - not at - risk		Credit - at - risk	
		Days in arrears		Days in arrears			Days in arrears		Days in arrears	
		< 30 [2]	between 30 - 90	<= 90	> 90 days		< 30 [2]	between 30 - 90	<= 90	> 90 days
DOMESTIC ACTIVITY	**23 696 888**	**22 413 209**	**141 243**	**46 510**	**1 095 926**	**899 262**	**255 137**	**32 998**	**27 504**	**583 623**
Corporate banking	3 924 917	3 573 277	11 845	41 195	298 600	290 799	84 911	4 252	26 337	175 299
Large Companies	1 428 127	1 345 221	12	32 372	50 522	80 434	34 057	1	22 566	23 810
Medium-sized Companies	2 496 790	2 228 056	11 833	8 823	248 078	210 365	50 854	4 251	3 771	151 489
Project Finance - Portugal	1 171 731	1 061 856	8 745		101 130	79 448	20 667	439		58 342
Madrid	1 156 747	1 014 393			142 354	114 366	28 894			85 472
Project Finance	662 797	584 667			78 130	61 361	19 191			42 170
Corporate	493 950	429 726			64 224	53 005	9 703			43 302
Public Sector	1 408 920	1 408 534		136	250	2 045	2 022		14	9
Central Administration	210 083	210 083								
Regional and local administration	809 582	809 463			119	11	2			9
State Corporate Sector – in the budget perimeter	42 061	42 061				2	2			
State Corporate Sector – outside the budget perimeter	314 859	314 859				1 985	1 985			
Other institutional	32 335	32 068		136	131	47	33		14	
Individuals and Small Businesses Banking	13 728 434	13 051 893	120 616	5 179	550 746	401 381	107 749	28 304	1 153	264 175
Mortgage loans to individuals	11 204 916	10 722 665	91 246	2 578	388 427	242 265	79 569	20 625	528	141 543
Consumer credit / other purposes	578 375	540 002	8 376	289	29 708	29 808	3 285	2 317	72	24 134
Credit cards	162 605	155 894	846	28	5 837	7 162	1 792	319	18	5 033
Car financing	134 781	131 072	940	55	2 714	1 898	335	149	1	1 413
Small businesses	1 647 757	1 502 260	19 208	2 229	124 060	120 248	22 768	4 894	534	92 052
Others [3]	2 306 139	2 303 256	37		2 846	11 223	10 894	3		326
INTERNATIONAL ACTIVITY	**1 466 034**	**1 355 912**	**17 406**		**92 716**	**92 837**	**41 357**	**6 081**		**45 399**
Total	**25 162 922**	**23 769 121**	**158 649**	**46 510**	**1 188 642**	**992 099**	**296 494**	**39 079**	**27 504**	**629 022**

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

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

[3] Includes 1 939 143 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At December 31, 2014 Proforma the amount of the exposure and impairment of loans and advances to customers was made up as follows:

		Total exposure					Total Impairment			
		Credit - not at - risk		Credit - at - risk			Credit - not at - risk		Credit - at - risk	
Segment	**Total Exposure [1]**	**Days in arrears**		**Days in arrears**		**Total Impairment**	**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 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At June 30, 2015 the amount of the exposure and impairment of loans and advances to customers assessed individually and collectively, by segment, was made up as follows:

	Performing Loans	Overdue Loans	Exposure[1]	of which: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
DOMESTIC ACTIVITY	**22 787 192**	**909 696**	**23 696 888**	**3 165 698**	**20 531 190**	**483 720**	**415 542**	**899 262**
Corporate banking	3 639 731	285 186	3 924 917	599 073	3 325 844	268 731	22 068	290 799
Large Companies	1379 955	48 172	1428 127	185 333	1242 794	74 347	6 087	80 434
Medium-sized Companies	2 259 776	237 014	2 496 790	413 740	2 083 050	194 384	15 981	210 365
Project Finance - Portugal	1146 805	24 926	1171 731	233 606	938 125	72 177	7 271	79 448
Madrid	1026 611	130 136	1156 747	262 454	894 293	109 967	4 399	114 366
Project Finance	590 758	72 039	662 797	146 857	515 940	58 633	2 728	61361
Corporate	435 853	58 097	493 950	115 597	378 353	51334	1671	53 005
Public Sector	1408 631	289	1408 920	38 477	1370 443	2 031	14	2 045
Central Administration	210 083		210 083		210 083			
Regional and local administration	809 463	119	809 582		809 582		11	11
State Corporate Sector - in the budget perimeter	42 061		42 061		42 061		2	2
State Corporate Sector - outside the budget perimeter	314 859		314 859	36 695	278 164	1984	1	1985
Other institutional	32 165	170	32 335	1782	30 553	47		47
Individuals and Small Business Banking	13 262 156	466 278	13 728 434	92 214	13 636 220	25 923	375 458	401381
Mortgage loans to individuals	10 893 315	311 601	11 204 916	125	11 204 791	41	242 224	242 265
Consumer credit/ other purposes	553 216	25 159	578 375	2	578 373		29 808	29 808
Credit cards	156 537	6 068	162 605		162 605		7 162	7 162
Vehicle financing	132 469	2 312	134 781	14	134 767	14	1884	1898
Small business	1526 619	121 138	1647 757	92 073	1555 684	25 868	94 380	120 248
Others [2]	2 303 258	2 881	2 306 139	1939 874	366 265	4 891	6 332	11223
INTERNATIONAL ACTIVITY	**1395 147**	**70 887**	**1466 034**	**-**	**-**	**-**	**-**	**92 837**
	24 182 339	**980 583**	**25 162 922**					**992 099**

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

[2] Includes 1 939 143 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At December 31, 2014 Proforma the amount of exposure and impairment of Loans and advances to customers assessed individually and collectively, by segment, was made up as follows:

	Performing Loans	Overdue Loans	Exposure [1]	of which: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
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	681446	3 264 637	265 905	21843	287 748
Large Companies	1419 924	37 195	1457 119	247 847	1209 272	64 216	5 519	69 735
Medium-sized Companies	2 233 549	255 415	2 488 964	433 599	2 055 365	201689	16 324	218 013
Project Finance - Portugal	1154 721	22 813	1177 534	241826	935 708	60 927	603	61530
Madrid	1306 055	169 689	1475 744	422 795	1052 949	174 163	2 704	176 867
Project Finance	634 152	55 488	689 640	157 739	531901	57 357	913	58 270
Corporate	671903	114 201	786 104	265 056	521048	116 806	1791	118 597
Public Sector	1424 734	6 791	1431525	33 292	1398 233	5 638	23	5 661
Central Administration	215 422		215 422		215 422			
Regional and local administration	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	271727	5 240	7	5 247
Other institutional	35 824	33	35 857	3 009	32 848	398		398
Individuals 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	11024 078	318 527	11342 605	514	11342 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	1716	1726
Small business	1451001	134 612	1585 613	96 871	1488 742	27 178	104 066	131244
Others [2]	2 422 690	3 026	2 425 716	2 006 458	419 258	11554	372	11926
INTERNATIONAL ACTIVITY	**1835 960**	**63 754**	**1899 714**	**-**	**-**	**-**	**-**	**77 866**
	25 128 373	**1043 693**	**26 172 066**	**3 483 220**	**20 789 132**	**545 635**	**413 160**	**1036 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 t. euro of securities held by BPI Vida, essentially allocated to the coverage of capitalization insurance.

At June 30, 2015 the amount of exposure and impairment of Loans and advances to domestic customers assessed individually and collectively, by business sector, was made up as follows:

	Performing Loans	Overdue Loans	Exposure[1]	of which: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporates	10 675 568	544 018	11 219 586	3 141 056	8 078 530	475 218	119 773	594 991
Agriculture, animal production and hunting	222 811	5 172	227 983	16 113	211 870	3 976	3 827	7 803
Forestry and forest operations	13 129	345	13 474		13 474		473	473
Fishing	36 378	21 693	58 071	46 271	11 800	38 289	44	38 333
Mining	122 560	713	123 273	2 161	121 112	560	754	1 314
Beverage, tobacco and food	431 498	12 158	443 656	78 428	365 228	12 679	4 164	16 843
Textiles and clothing	96 033	17 050	113 083	24 084	88 999	12 860	1 409	14 269
Leather and related products	26 142	895	27 037	935	26 102	496	247	743
Wood and cork	146 059	6 070	152 129	51 716	100 413	2 050	1 525	3 575
Pulp, paper and cardboard and graphic arts	237 207	5 643	242 850	131 520	111 330	4 576	1 346	5 922
Coke, refined petroleum products and fuel pellets	152 612		152 612	150 000	2 612		10	10
Chemicals, synthetic or artificial fibres, except pharmaceutical products	78 763	273	79 036	15 164	63 872	56	371	427
Base pharmaceutical products and pharmaceutical mixtures	55 414		55 414		55 414		268	268
Rubber and plastic materials	90 537	642	91 179	1 614	89 565	493	865	1 358
Other mineral non-metallic products	262 041	3 000	265 041	145 004	120 037	3 873	1 591	5 464
Metalworking industries	210 507	6 420	216 927	18 881	198 046	4 630	4 104	8 734
Computers, electronic, electrical and optical equipment	107 925	2 383	110 308	4 580	105 728	1 818	1 146	2 964
Transport equipment	38 373	2 779	41 152	3 306	37 846	1 426	610	2 036
Other manufacturing industries	52 343	4 921	57 264	5 523	51 741	3 361	1 708	5 069
Electricity, gas and water	872 426	1 448	873 874	329 191	544 683	3 601	2 779	6 380
Water treatment and collection	366 359	1 201	367 560	96 246	271 314	4 815	1 249	6 064
Construction	486 281	114 656	600 937	238 570	362 367	77 238	15 943	93 181
Wholesale and retail trade; motor vehicle and motorcycle repairs	1 354 103	85 613	1 439 716	442 321	997 395	61 989	32 587	94 576
Transport and storage	1 159 448	79 460	1 238 908	269 104	969 804	108 259	9 019	117 278
Restaurants and hotels	395 139	63 030	458 169	156 087	302 082	28 070	5 732	33 802
Information and communication activities	386 484	7 837	394 321	177 000	217 321	9 233	2 307	11 540
Financial intermediation, except for insurance and pension funds	573 727	37 610	611 337	225 438	385 899	35 177	2 612	37 789
Insurance, reinsurance and pension funds, except for mandatory social security	53		53		53			
Auxiliary activities to financial services and insurance	144 221	159	144 380	23 999	120 381	7 195	172	7 367
Real estate	384 761	18 861	403 622	52 425	351 197	12 289	4 822	17 111
Consulting, scientific, technical and similar activities	287 835	16 146	303 981	63 196	240 785	16 605	3 854	20 459
Administrative and support services	198 453	7 962	206 415	76 488	129 927	8 154	2 887	11 041
Public administration, defence and mandatory social security	1 193 776	119	1 193 895	99 993	1 093 902		9	9
Education	34 198	1 148	35 346	2 663	32 683	736	1 082	1 818
Healthcare and welfare	188 059	2 184	190 243	2 477	187 766	449	2 181	2 630
Leisure, cultural and sports activities	39 778	14 652	54 430	16 696	37 734	8 368	736	9 104
Other service companies	229 889	1 599	231 488	173 862	57 626	1 897	1 191	3 088
Companies without CAE code (Business Activity Classification - "Classificação das Actividades Económicas")	246	176	422		422		6 149	6 149
Individuals	12 111 624	365 678	12 477 302	24 641	12 452 661	8 501	295 770	304 271
Housing loans	10 933 411	311 706	11 245 117	130	11 244 987	44	242 308	242 352
Others	1 178 213	53 972	1 232 185	24 511	1 207 674	8 457	53 462	61 919
	22 787 192	**909 696**	**23 696 888**	**3 165 697**	**20 531 191**	**483 719**	**415 543**	**899 262**

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

At December 31, 2014 Proforma the amount of exposure and impairment of Loans and advances to domestic customers assessed individually and collectively, by business sector, was made up as follows:

	Performing Loans	Overdue Loans	Exposure[1]	of which: Individually assessed	of which: Collectively assessed	Individual Impairment	Collective Impairment	Total Impairment
Corporates	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	300 747	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 June 30, 2015 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	953 995	62 438	1016 433	66 210
Agriculture, animal production and hunting	68 641	2 868	71508	3 309
Mining	16 127	1208	17 335	708
Other manufacturing industries	37 399	7 436	44 835	4 866
Electricity, gas and water	954	0	955	29
Construction	207 735	13 821	221556	16 051
Wholesale and retail trade; motor vehicle and motorcycle repairs	127 578	30 507	158 085	22 882
Transport and storage	24 314	1595	25 909	1646
Restaurants and hotels	23 974	1506	25 480	1926
Auxiliary activities to financial services and insurance	1911	12	1923	68
Real estate	49 110	1617	50 728	2 853
Public administration, defence and mandatory social security	380 397	453	380 850	495
Education	4 192	492	4 684	217
Healthcare and welfare	2 651	2	2 653	81
Leisure, cultural and sports activities	214	8	222	9
Other services and activities	8 798	914	9 712	11071
Individuals	441152	8 449	449 601	26 627
Housing loans	140 858	1546	142 404	12 434
Others	300 294	6 903	307 197	14 193
	1 395 147	**70 887**	**1 466 034**	**92 837**

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

At December 31, 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	1454 521	56 180	1510 701	53 457
Agriculture, animal production and hunting	66 236	2 360	68 596	3 121
Mining	16 450	1139	17 589	707
Other manufacturing industries	43 126	6 700	49 826	4 799
Electricity, gas and water	1233		1233	37
Construction	212 674	11750	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	1553	29 871	1171
Restaurants and hotels	26 113	533	26 646	1528
Auxiliary activities to financial services and insurance	1904	11	1915	67
Real estate	37 030	1409	38 439	2 464
Public administration, defence and mandatory social security	851033	461	851494	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	1097
Individuals	381439	7 574	389 013	24 409
Housing loans	71109	1258	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.

At June 30, 2015 loans are made up as follows by country:

	Regular Credit	Overdue Credit	Exposure [1]	from which: Assessed individually	Assessed Colectivelly	Individual Impairment	Colective Impairment	Total Impairment
DOMESTIC ACTIVITY	**20 848 051**	**909 696**	**21 757 747**	**1 226 555**	**20 531 192**	**479 156**	**415 545**	**894 700**
Portugal	19 263 819	764 880	20 028 699	942 730	19 085 969	365 873	401774	767 647
Spain	797 389	130 348	927 738	205 422	722 315	95 982	3 788	99 771
Angola	254 368	552	254 920		254 920		573	573
Netherlands	126 373	1	126 375		126 375		552	552
Others	406 101	13 915	420 016	78 403	341613	17 300	8 858	26 158
INTERNATIONAL ACTIVITY (ANGOLA)	**1 395 147**	**70 887**	**1 466 034**	**-**	**-**	**-**	**-**	**92 837**
	22 243 198	980 583	23 223 781					987 537

[1] Does not include 1 939 143 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance

At December 31, 2014 Proforma loans are made up as follows by country:

	Regular Credit	Overdue Credit	Exposure[1]	from which: Assessed individually	from which: Assessed Colectivelly	Individual Impairment	Colective Impairment	Total Impairment
DOMESTIC ACTIVITY	**21 292 273**	**979 939**	**22 272 213**	**1 483 078**	**20 789 132**	**534 395**	**413 160**	**947 556**
Portugal	19 286 400	795 909	20 082 310	1040 151	19 042 157	357 957	407 116	765 074
Spain	1 163 593	169 971	1333 563	351449	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	91478	367 569	21360	2 639	23 999
INTERNATIONAL ACTIVITY (ANGOLA)	**1 835 960**	**63 754**	**1 899 714**	**-**	**-**	**-**	**-**	**77 866**
	23 128 233	1043 693	24 171 927					1025 422

[1] Does not include 2 005 739 t. euro of securities held by BPI Vida, allocated essentially to coverage of capitalization insurance

At June 30, 2015 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	93 561	3 051 476	85 368
2005	14 343	704 616	19 601
2006	18 706	1 039 728	25 442
2007	25 989	1 486 591	38 316
2008	22 481	1 332 065	25 516
2009	14 562	985 526	16 969
2010	16 047	1 172 416	20 302
2011	5 394	373 606	5 517
2012	4 284	271 680	1 981
2013	4 465	266 513	1 290
2014	4 620	289 941	1 246
2015	3 564	230 758	717
	228 016	**11 204 916**	**242 265**

The caption “Securities” at June 30, 2015 is made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment [1]
Debt Instruments				
Issued by Portuguese Entities				
Portuguese Public Debt				
EDIA SA-TV-30.01.2027	16 180 000	16 180	16 190	
EDIA-EMP.DES.DO ALQUEVA - TV-11.08.2030	19 250 000	19 250	19 456	
REPUBLICA DE PORTUGAL TV - 29.01.2018	50 000 000	50 000	50 557	
REPUBLICA PORTUGUESA - TV - 03.11.2015	50 000 000	49 993	50 222	
		135 423	**136 425**	
Other Residents				
Non - subordinated Debt				
Bonds				
Asset Backed Securities (ABS's)				
TAGUS-SOC.TIT.CREDITO-CL.A-12.02.2025	75 979 755	75 980	76 038	
TAGUS-SOC.TIT.CREDITO-CL.B-12.02.2025	50 000	50	50	
		76 030	**76 088**	
Other Bonds				
ADP-AGUAS DE PORTUGAL,SGPS-TV-20.06.2022	50 000 000	44 882	50 005	
ALTRI - 2014/2020	50 000 000	50 000	50 372	
AUTO-SUECO - 2013 / 2018	30 000 000	30 000	30 745	
BA GLASS I-SERV.GEST.INV.-TV-22.12.15	2 500 000	2 500	2 502	
BANCO INTERNAC CRED(CI)-6.09%-27.07.2015	753 000	754	797	
BRISA - 4.5% - 05.12.2016	8 200 000	8 096	8 305	
BRISA-CONCESSAO ROD.SA-TV-07.06.2020	60 000 000	59 579	59 746	
CAIXA GERAL DE DEPóSITOS 5.625%-04.12.15	17 700 000	17 712	18 280	
CAIXA GERAL DE DEPOSITOS-8%-28.09.2015	12 400 000	12 455	13 202	
CGD-3.75%-18.01.2018	9 000 000	8 983	9 133	
CIN - 2014/2019	15 000 000	15 000	15 016	
COLEP PORTUGAL SA -TV-10.10.2017	9 000 000	9 000	9 061	
EDP FINANCE BV-4.75%-26.09.2016	12 275 000	12 311	12 754	
EFANOR INVESTIMENTOS SGPS SA-2014/2019	15 000 000	15 000	15 191	
GALP 2013/2018	150 000 000	150 000	151 260	
GENERIS 2015-2020	30 000 000	30 000	30 073	
GRUPO PESTANA 2014/2020	46 000 000	46 000	46 554	
GRUPO VISABEIRA SGPS-TV-14.07.2019	5 000 000	5 000	5 095	
JMR - 2012 / 2015	200 000 000	200 000	200 242	
MEDIA CAPITAL 2014-2019	50 000 000	50 000	50 967	
MOTA-ENGIL SGPS-TV-30.12.2016	7 500 000	7 500	7 500	
NOS SGPS-2015-2022	25 000 000	25 000	25 119	
PARQUE EÓLICO DO PISCO- TV 11.07.2026	375 000	375	379	
PARQUE EOLICO PISCO-TV-11.07.2026-2ªSR.	6 250 000	6 250	6 300	
POLIMAIA / 1989 - SR.C (AC.CRED.)	7			
REN-REDES ENERG.NAC.-6.25%-21.09.2016	1 224 000	1 283	1 304	
REN-REDES ENERG.NAC.-TV-16.01.2020	100 000 000	100 000	100 991	
SECIL 2015-2020	80 000 000	80 000	80 204	
SEMAPA 2014/2019	28 487 000	28 539	28 733	
SEMAPA 2014/2020	41 500 000	41 500	41 604	
Semapa TV (20.04.2016) [3]	7 650 000	7 646	7 668	
SONAE CAPITAL SGPS - TV - 17.01.2016	10 000 000	10 000	10 204	
SONAE DISTRIBUIÇAO SETEMBRO - 2007/2015	20 000 000	20 000	20 041	
ZON OPTIMUS 2014-2019	100 000 000	99 802	100 173	
		1 195 167	**1 209 520**	
Commercial Paper			822 784	13 862
			822 784	**13 862**
Subordinated Debt				
Bonds				
BANIF - TAX.VAR. (30.12.2015) [2]	11 800 000	11 800	11 800	4 562
			11 800	**4 562**

[1] Additionally, the Bank recorded collective impairment of 3 990 t. 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 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]
Issued by others non - residents				
Non - subordinated Debt				
Bonds				
Asset Backed Securities (ABS's)				
HSBC BRAZIL-SR.2006-A-15.04.2016	2 755 677	2 590	2 742	
		2 590	**2 742**	
Other Bonds				
BANCO DE SABADELL SA-3.375%-13.01.2018	16 000 000	15 960	16 194	
BBVA SENIOR FINANCE SA-TV-14.09.2015	65 000 000	64 955	65 356	
BPE FINANCIACIONES SA-4%-17.07.2015	14 800 000	14 799	15 364	
BPE FINANCIACIONES, S.A.-TV 2017.02.13	49 000 000	49 000	49 123	
CAIXABANK-3.25%-22.01.2016	14 800 000	14 791	15 000	
EDDYSTONE FIN.SR2006-1 CLA1B 19.04.2021 [3]	305 575	239	240	
EDP FINANCE BV-4.625% (13.06.2016)	6 903 000	6 953	6 968	
EDP FINANCE BV-4.875%-14.09.2020	80 000 000	79 570	82 658	
EDP FINANCE BV-5.875%-01.02.2016	22 228 000	22 463	22 996	
EDP FINANCE BV-TV 26.06.2019	84 904 817	69 822	84 927	
EIRLES THREE LTD(SERIES 297)-31.12.2021	5 885 758	5 245	5 245	
ENEL FINANCE INTL SA-4%-14.09.2016	6 700 000	6 768	6 980	
EURO-VIP / 1990 [4]	5 362 410	4 773	4 845	
GAS NATURAL CAPITAL-4.375%-02.11.2016	7 000 000	6 978	7 179	
RED ELECTRICA FINAN.BV-3.5%-07.10.2016	7 000 000	6 983	7 161	
REPSOL SA-4.25%-12.02.2016	6 800 000	6 827	6 936	
SANTANDER INTL DEBT SA-TV-28.09.2015	40 000 000	40 000	40 002	
TELECOM ITALIA SPA 8.25% - 21.03.2016	6 100 000	6 259	6 398	
TELEFONICA EMISIONES-4.375% (02.02.2016)	5 100 000	5 092	5 183	
UNICREDIT SPA 4.375% 11.09.2015	4 700 000	4 706	4 870	
		432 183	**453 625**	
Commercial Paper			497	
			497	
Subordinated Debt				
Bonds				
ESPIRITO SANTO INVST PLC-TV.(20.12.2015) [2]	4 500 000	4 500	4 501	
		4 500	**4 501**	
			2 717 982	**18 424**

[1] Additionally, the Bank recorded collective impairment of 3 990 t. 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 June 30, 2015 this did not show evidence of impaired securities.

4.8 Held to maturity investments

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Debt Instruments		
Bonds issued by other Portuguese entities		
Non-subordinated debt	1 192	1 186
Bonds issued by foreign government entities		59 994
Bonds issued by other foreign entities		
Non-subordinated debt	19 270	25 252
Subordinated debt	1 900	1 900
Accrued interest	32	50
	22 394	**88 382**

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

At June 30, 2015 this caption was made up as follows:

Nature and type of security	Quantity	Cost	Gross Book Value	Impairment
Debt Instruments				
Issued by others residents				
non - subordinated Debt				
Bonds				
SEMAPA - TV (20.04.2016) [2]	1200 000	1192	1195	
		1 192	**1 195**	
Issued by other non resident entities				
Non - subordinated Debt				
Bonds				
BANCA CARIGE SPA-TV-07.06.2016 [2]	1000 000	1000	1001	
IBERCAJA(CA.ZARAGOZA A.R.)TV-20.04.2018 [1]	6 000 000	6 000	6 010	
IBERCAJA(CA.ZARAGOZA A.R.)TV-25.04.2019 [1]	8 400 000	8 400	8 413	
ING GROEP NV-TV. (11.04.2016) [1]	3 900 000	3 871	3 872	
		19 271	**19 296**	
Subordinated Debt				
Bonds				
CAM INTERNATIONAL-TV-26.04.2017 [2]	1900 000	1900	1903	
		1 900	**1 903**	
		22 363	**22 394**	

[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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		
Gross Value		20 136
Impairment		(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 sale was completed in the first half of 2015.

The changes in impairment losses and provisions in the first half of 2015 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 June 30, 2015 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 Guerra102-Coimbra	2	168	274	291	17
Av.Das Descobertas nº 21 - Lisboa	1	1 334	4 000	3 903	(97)
Av.Das Descobertas nº 23 - Lisboa	1	1 132	3 998	4 249	251
Av.Liberdade 245-Lisboa	6	427	867	987	120
Av.Liberdade nº 160 - Lisboa	1	2 133	6 390	6 227	(163)
Av.Luís Bivar nº 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 nº 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.Peninsula Praça Bom Sucesso 105/169 -Porto	20	2 922	7 227	6 680	(547)
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 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	2 631	2 562	(69)
			119 098	117 099	(1 998)
Non-Leased real estate assets					
Avenida da Liberdade 38 - Edif.Libersil - Lisboa	10	1 352	1 936	2 556	621
Edif.Peninsula Praça Bom Sucesso 105/169 -Porto	40	1 943	6 448	5 234	(1 214)
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	10	19 446	13 610	11 663	(1 947)
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 - Estadio Bessa	5	1 305	1 545	1 937	392
Rua Soeiro Pereira Gomes Lote 1 - Lisboa	46	2 290	3 366	3 607	241
			42 174	37 678	(4 496)
			161 272	**154 777**	**(6 495)**

The changes in this caption in the first half of 2015 and 2014 were as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Opening balance 31, December		
Acquisition cost	161 272	168 087
Revaluations	(6 495)	(3 138)
Net Value	154 777	164 949
Acquisitions		508
Sales and Rebates		
Acquisition cost		(5 423)
Reavaluations		(525)
Reavaluations		(892)
Closing balance 31, December		
Acquisition cost	161 272	163 172
Reavaluations	(6 495)	(4 555)
Net Value	**154 777**	**158 617**

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 the first half of 2015 were as follows:

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

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

	Gross						Depreciation						Net	
	Balance at Dec. 31, 13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 14 Proforma	Balance at Dec. 31, 13 Proforma	Depreciation for the period	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 14 Proforma	Balance at Jun. 30, 14 Proforma	Balance at Dec. 31, 13 Proforma
Property														
Property for own use	138 126	921	(248)	2 173	794	141 766	28 082	1 299		(14)	85	29 452	112 314	110 044
Other property	104		(92)			12	36		(34)			2	10	68
Leasehold improvements	110 139	119	(1 697)	1 448	328	110 337	96 484	1 269	(1 361)	(214)	229	96 407	13 930	13 655
	248 369	**1 040**	**(2 037)**	**3 621**	**1 122**	**252 115**	**124 602**	**2 568**	**(1 395)**	**(228)**	**314**	**125 861**	**126 254**	**123 767**
Equipment														
Furniture and fixtures	52 820	390	(3 285)	8	101	50 034	45 141	883	(3 239)	(3)	52	42 834	7 200	7 679
Machinery and tools	14 056	215	(1 102)	1	32	13 202	12 447	295	(1 099)	(13)	21	11 651	1 551	1 609
Computer hardware	185 432	1 925	(4 933)	751	222	183 397	175 381	3 126	(4 922)	7	177	173 769	9 628	10 051
Interior installations	155 561	596	(13 329)	157	71	143 056	121 952	4 283	(12 809)	(43)	33	113 416	29 640	33 609
Vehicles	11 722	590	(631)		79	11 760	8 327	979	(583)	138	59	8 920	2 840	3 395
Security equipment	26 907	266	(283)	15	38	26 943	23 363	489	(279)	(212)	21	23 382	3 561	3 544
Other equipment	583	1	(2)		4	586	139	3		(1)		141	445	444
	447 081	**3 983**	**(23 565)**	**932**	**547**	**428 978**	**386 750**	**10 058**	**(22 931)**	**(127)**	**363**	**374 113**	**54 865**	**60 331**
Tangible assets in progress	10 674	4 927		(5 741)	38	9 898							9 898	10 674
Other tangible assets	12 570		(271)	(42)		12 257	10 005	96	(240)	(42)		9 819	2 438	2 565
	23 244	**4 927**	**(271)**	**(5 783)**	**38**	**22 155**	**10 005**	**96**	**(240)**	**(42)**		**9 819**	**12 336**	**13 239**
	718 694	**9 950**	**(25 873)**	**(1 230)**	**1 707**	**703 248**	**521 357**	**12 722**	**(24 566)**	**(397)**	**677**	**509 793**	**193 455**	**197 337**

4.12. Intangible assets

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

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

The changes in intangible assets in the first half of 2014 Proforma were as follows:

	Gross						Amortization					Net	
	Balance at Dec. 31, 13 Proforma	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at Jun. 30, 14 Proforma	Balance at Dec. 31, 13 Proforma	Amortization for the period	Sales and write-offs	Foreign exchange differences	Balance at Jun. 30, 14 Proforma	Balance at Jun. 30, 14 Proforma	Balance at Dec. 31, 13 Proforma
Software	71 044	798	(13)	173	51	72 053	62 581	2 299	(13)	32	64 899	7 154	8 463
Other intangible assets	28 735		(788)		12	27 959	26 063	6	(788)	12	25 293	2 666	2 672
	99 779	**798**	**(801)**	**173**	**63**	**100 012**	**88 644**	**2 305**	**(801)**	**44**	**90 192**	**9 820**	**11 135**
Intangible assets in progress	8 014	928		(188)		8 754						8 754	8 014
	107 793	**1 726**	**(801)**	**(15)**	**63**	**108 766**	**88 644**	**2 305**	**(801)**	**44**	**90 192**	**18 574**	**19 149**

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	
	Jun. 30, 15	Dec. 31, 14 Proforma	Jun. 30, 15	Dec. 31, 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	67 008	54 776
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	84 807	93 572
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	27 873	29 909
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0	49.0	524	881
Unicre - Instituição Financeira de Crédito, S.A.	21.0	21.0	34 348	33 842
			214 560	**212 980**

In the first half of 2015 Banco BPI subscribed for 30% of Banco Comercial e de Investimentos' share capital increase, in the amount of 12 988 t. euro.

In the first half of 2015 and 2014 the BPI Group received the following dividends from associated companies:

	Jun 30, 15	Dec 31, 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.		1 879
Companhia de Seguros Allianz Portugal, S.A.	8 581	24 667
Cosec – Companhia de Seguros de Crédito, S.A.	3 549	3 904
Inter-Risco - Sociedade de Capital de Risco, S.A.	196	
Unicre - Instituição Financeira de Crédito, S.A.	1 403	1 135
	13 729	**31 585**

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:

	Jun 30, 15	Dec 31, 14 Proforma
Current tax assets		
Corporate income tax recoverable	3 788	8 670
Others	2 141	2 028
	5 929	**10 698**
Deferred tax assets		
Due to temporary differences	306 261	309 001
Due to tax losses carried forward	86 716	102 832
	392 977	**411 833**
	398 906	**422 531**

Details of deferred tax assets are presented in Note 4.45.

4.15. Other assets

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Debtors, other applications and other assets		
Debtors for future operations	28 366	12 279
Collateral accounts	4 086	3 000
Other aplications	13 716	10 798
VAT recoverable	1 179	2 228
Debtors for loan interest subsidy receivable	4 857	4 438
Other debtors	77 522	75 277
Overdue debtors and other applications	448	385
Impairment on overdue debtors and other applications	(1 532)	(1 449)
Other assets		
Gold	57	53
Other available funds and other assets	347	364
	129 046	107 373
Tangible assets available for sale	158 574	166 758
Impairment	(30 003)	(29 390)
	128 571	137 368
Accrued income		
For irrevocable commitments assumed in relation to third parties	251	276
For banking services rendered to third parties	1 962	2 624
Other accrued income	23 157	28 496
	25 370	31 396
Deferred expenses		
Insurance	173	21
Rent	3 350	3 524
Other deferred expenses	15 558	8 813
	19 081	12 358
Liability for pensions and other benefits		
Pension Fund Asset Value		
Pensioners and employees	1 354 314	
Directors	43 322	
Past Service Liabilities		
Pensioners and employees	(1 279 031)	
Directors	(44 600)	
Others	(1 552)	
	72 453	
Other accounts		
Foreign exchange transactions pending settlement	32 028	43 378
Stock exchange transactions pending settlement	521	5 265
Non stock exchange transactions pending settlement	11 256	
Operations on assets pending settlement	254 641	347 648
	298 446	396 291
	672 967	**684 786**

The caption "Other applications" at June 30, 2015 and December 31, 2014 includes 6 441 t. euro and 3 170 t. euro, respectively, relating to collateral pledged in guarantee under derivative transactions relating to bonds issued through Sagres – Sociedade de Titularização de Créditos, S.A.

The caption "Other debtors" at June 30, 2015 and December 31, 2014 includes 58 093 t. euro and 53 538 t. euro relating to instalments receivable from the sale in 2008 of 49.9% of the share capital of Banco de Fomento Angola, S.A.. The selling price was 365 671 t. euro, part of the proceeds from the sale being paid in eight annual instalments, from 2009 to 2016, plus compensation due to monetary correction.

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

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

The changes in assets received in settlement of defaulting loans and other tangible assets available for sale in the first half of 2014 were as follows:

	Balance at Dec. 31, 13 Proforma			Acquisitions and transfers	Sales and write-offs		Increase / Reversals of impairment	Foreign exchange translation difference	Balance at Jun. 30, 14 Proforma		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	168 251	(33 214)	135 037	22 738	(16 356)	1 692	(2 129)	13	174 646	(33 651)	140 995
Equipment	2 129	(1 308)	821	1 210	(1 700)	254		1	1 640	(1 054)	586
Others	61	(61)							61	(61)	
Other tangible assets											
Real estate	3 920	(1 198)	2 722	554					4 474	(1 198)	3 276
	174 361	**(35 781)**	**138 580**	**24 502**	**(18 056)**	**1 946**	**(2 129)**	**14**	**180 821**	**(35 964)**	**144 857**

At June 30, 2015, the properties received in settlement of defaulting loans were made up as follows, by type of property:

Assets	Nr of properties	Fair Value	Book value
Land	**57**	**8 031**	**6 424**
Urban	34	6 875	5 412
Rural	23	1 156	1 012
Buildings	**1 373**	**143 655**	**118 449**
Business	249	22 260	18 803
Housing	958	84 598	67 906
Others [1]	166	36 797	31 740
Others	**3**	**270**	**236**
Total	**1 433**	**151 956**	**125 109**

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

At December 31, 2014 the properties received in settlement of defaulting loans were made up as follows, by type of property:

Assets	Nr 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
Others	**5**	**571**	**459**
Total	**1 509**	**162 356**	**133 851**

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

At June 30, 2015 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	**2 114**	**964**	**920**	**2 426**	**6 424**
Urban	2 106	365	853	2 087	**5 412**
Rural	8	599	67	338	**1 012**
Buildings	**28 542**	**37 600**	**40 754**	**11 554**	**118 449**
Business	1 561	6 950	7 389	2 904	**18 803**
Housing	25 242	21 324	15 327	6 013	**67 906**
Others [1]	1 740	9 326	18 037	2 637	**31 740**
Others		**149**	**86**		**236**
Total	**30 655**	**38 714**	**41 760**	**13 979**	**125 109**

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

At December 31, 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**
Others	**149**	**310**	**0**	**0**	**459**
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 June 30, 2015 and December 31, 2014 includes 9 583 t. euro and 19 200 t. euro, respectively, relating to accrued commission from participation in the results of insurance products (Notes 2.16 and 4.40).

At June 30, 2015 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 June 30, 2015 and December 31, 2014 refers to the sale of securities only settled in the following month.

The caption “Non stock exchange transactions pending settlement” at June 30, 2015 refers to the sale of securities only settled in the following month.

At June 30, 2015 and December 31, 2014 the balance of the caption asset operations pending adjustment includes:

- 201 662 t. euro and 236 831 t. euro, respectively, relating to securitisation operations carried out by Banco BPI (Notes 4.7 and 4.21), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 28 201 t. euro relating to taxes to be settled, of which 6 962 t. euro relate to taxes in litigation, paid under Decree-Law 248-A / 02 of November 14 and 19 916 t. euro relate to taxes in litigation paid under Decree-Law 151-A / 13 of October 31;
- 6 598 t. euro and 7 422 t. euro, respectively, relating to housing loans pending settlement;
- 50 401 t. euro at December 31, 2014 relating to contributions to the Pension Fund made in the first quarter of 2015;

The changes in impairment losses and provisions in the first half of 2015 and 2014 are shown in Note 4.22.

4.16. Resources of Central Banks

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Resources of the Bank of Portugal		
Deposits	1 519 650	1 545 301
Accrued interest	486	15 883
Resources of other Central Banks		
Deposits	1	1
	1 520 137	**1 561 185**

In the first half of 2015 and in 2014 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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Short selling		
Debt instruments		
Bonds issued by foreign government entities	12 552	799
Derivative instruments with negative fair value (Note 4.4)	319 673	325 986
	332 225	**326 785**

4.18. Resources of other credit institutions

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Resources of Portuguese credit institutions		
Deposits	329 485	308 662
Loans	56	52
Other resources	4 540	4 948
Accrued interest	877	953
	334 958	314 615
Resources of foreign credit institutions		
Deposits of international financial organisations	708 602	708 649
Very short term resources	677	228
Deposits	173 528	172 731
Debt securities sold with repurchase agreements	99 801	81 399
Other resources	56 811	78 319
Accrued interest	587	1 238
	1 040 006	1 042 564
Correction of the amount of hedged liabilities	13 352	15 262
Commission relating to amortised cost	9	
	1 388 325	**1 372 441**

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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Demand deposits	11 389 573	10 188 124
Term deposits	14 371 946	16 241 371
Savings deposits	70 946	78 718
Compulsory deposits	8 497	8 564
Cheques and orders payable	64 463	60 582
Debt securities sold with repurchase agreement	75 747	94 260
Other resources of customers	58 143	44 989
Minority interests in investment funds		
BPI Alternative Fund (Lux)	122 777	83 547
BPI Obrigações Mundiais	21 599	14 459
BPI Strategies	15 673	13 635
Imofomento	76 820	83 323
Capitalisation insurance products - Unit links	1 717 414	904 401
Capitalisation insurance products - Guaranteed Rate and Guaranteed Retirem	34 856	53 941
Accrued interest	192 572	218 038
	28 221 026	28 087 952
Correction of the amount of hedged liabilities	36 953	46 665
Commission relating to amortized cost (net)	(2 525)	
	28 255 454	**28 134 617**

The caption "Resources of customers" at June 30, 2015 included 271 036 t. euro and 188 982 t. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (205 652 t. euro and 205 652 t. euro, respectively, at December 31, 2014).

4.20. Debt securities

This caption is made up as follows:

	Jun. 30, 15				Dec. 31, 14 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	4 575 000	(3 850 000)	725 000	0.8%	4 325 000	(2 837 000)	1 488 000	1.5%
	4 575 000	**(3 850 000)**	**725 000**		**4 325 000**	**(2 837 000)**	**1 488 000**	
Fixed rate cash bonds								
EUR	409 934	(38 453)	371 481	3.2%	500 826	(76 965)	423 861	3.4%
	409 934	**(38 453)**	**371 481**		**500 826**	**(76 965)**	**423 861**	
Variable rate cash bonds								
EUR					30 000	(15 928)	14 072	1.4%
					30 000	**(15 928)**	**14 072**	
Variable income cash bonds								
EUR	126 959	(34 362)	92 597		245 390	(42 270)	203 120	
USD	40 531	(12 910)	27 621		74 603	(11 263)	63 340	
	167 490	**(47 272)**	**120 218**		**319 993**	**(53 533)**	**266 460**	
	5 152 424	**(3 935 725)**	**1 216 699**		**5 192 154**	**(2 983 426)**	**2 208 728**	
Accrued interest			7 495				28 993	
Correction of the amount of hedged liabilities			4 411				9 438	
Premiums and commission (net)			(1 247)				(9 085)	
			10 659				29 346	
			1 227 358				2 238 074	

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 guaranteed bond issue programs (mortgage bonds and bonds over the public sector), under Decree-Law 59/2006. Under these programs the BPI Group made three issues of mortgage bonds in 2009, four issues of mortgage bonds and one issue of bonds over the public sector in 2010, two issues of mortgage bonds in 2011 and one issue of mortgage bonds in 2012.

In accordance with this law, the holders of the mortgage bonds benefit from a special credit privilege over the autonomous assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

The mortgage bonds program was set up for up to a maximum of 7 000 000 000 euro.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits with financial institutions with ratings equal to or greater than " A - " and other low risk and highly liquid assets. The total value of the other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- The total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;
- The average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;
- The total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;
- The net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve;
- The credit institutions' risk exposure, except for positions with residual maturity less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At June 30, 2015 the amount of mortgage bonds issued by the BPI Group was 4 175 000 000 euro, split into 8 issues as follows:

	OH - Series 5	**OH - Series 8**	**OH - Series 9**	**OH - Series 10**
Issue Date	28/05/2009	12/02/2010	21/05/2010	05/08/2010
Nominal Amount	EUR 175 000 000	EUR 200 000 000	EUR 350 000 000	EUR 600 000 000
ISIN	PTBB1XOE0006	PTBB5WOE0003	PTBBP6OE0023	PTBBQQOE0024
Maturity Date	28/05/2016	12/02/2017	21/05/2025	05/08/2020
Rating (Moody's/S&P/Fitch)	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%	Euribor 3 m + 0.84%	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%
Repurchases	-	-	EUR 350 000 000	EUR 600 000 000

	OH - Series 11	**OH - Series 12**	**OH - Series 13**	**OH - Series 14**
Issue Date	25/01/2011	25/08/2011	20/07/2012	30/03/2015
Nominal Amount	EUR 200 000 000	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000
ISIN	PTBBPMOE0029	PTBBWAOE0024	PTBBR3OE0030	PTBBRROE0048
Maturity Date	25/01/2018	25/08/2021	20/07/2017	27/03/2025
Rating (Moody's/S&P/Fitch)	Aa1/AA/AA+	A3/A+/A-	Baa3/A-/-	Baa2/-/-
Reimbursement	At maturity	At maturity	At maturity	At maturity
Interest Payment frequency	Quarterly	Annual	Quarterly	Quarterly
Coupon	Euribor 3 m + 4.60%	Euribor 3 m + 0.65%	Euribor 3 m + 0.65%	Euribor 3 m + 0.50%
Repurchases	-	EUR 600 000 000	EUR 800 000 000	EUR 1 250 000 000

At June 30, 2015 and December 31, 2014, the cover pool allocated to the mortgage bonds amounted to 5 690 442 t. euro and 5 825 542 t. euro, respectively, of which 5 681 570 t. euro and 5 772 866 t. euro corresponded to mortgage loans (Note 4.7).

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euro.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At June 30, 2015 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	Annual
Coupon	Euribor 3 m - 0.004%	Euribor 3 m + 0.4%
Repurchases	-	EUR 250 000 000

At June 30, 2015 and December 31, 2014 the cover pool allocated to bonds over the public sector amounted to 700 256 t. euro and 693 532 t. euro, respectively, of which 695 675 t. euro and 672 417 t. euro corresponded to loans (Note 4.7).

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- Fixed rate – bonds issued on which the BPI Group is committed to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;
- Variable rate - bonds issued on which the BPI Group is committed to pay income calculated based on a specified interest rate index published by an outside source (market);
- Variable income – bonds issued for which the return is not known, or certain, at the issue date, and can be subject to changes depending on the evolution of certain underlying assets (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (Note 4.4.). In addition, the BPI Group maintains options contracts to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in the first half of 2015 were as follows:

	Commercial Paper	Covered Bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at December 31, 2014	16 335	1 488 000	423 861	14 072	266 460	2 208 728
Bonds issued during the period		1 250 000	34 645			1 284 645
Bonds redeemed	(16 335)	(763 000)	(80 626)	(14 072)	(144 169)	(1 018 202)
Repurchases (net of resales)		(1 250 000)	(6 399)		(4 376)	(1 260 775)
Exchange difference					2 303	2 303
Balance at June 30, 2015		725 000	371 481		120 218	1 216 699

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 December 31, 2013		1 519 400	677 591	100 000	231 569	2 528 560
Bonds issued during the period	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 December 31, 2014	16 335	1 488 000	423 861	14 072	266 460	2 208 728

Bonds issued by the BPI Group at June 30, 2015, by maturity date, are as follows:

	Maturity					
	2015	2016	2017	2018-2021	> 2021	Total
Covered Bonds						
EUR		325 000	200 000	200 000		725 000
		325 000	200 000	200 000		725 000
Fixed rate bonds						
EUR	60 028	249 815	36 349	5 289	20 000	371 481
	60 028	249 815	36 349	5 289	20 000	371 481
Variable income bonds						
EUR	17 871	5 916	14 207	54 603		92 597
USD	11 476		4 647	11 498		27 621
	29 347	5 916	18 854	66 101		120 218
Total	89 375	580 731	255 203	271 390	20 000	1 216 699

Bonds issued by the BPI Group at December 31, 2014, by maturity date, are as follows:

	Maturity					
	2015	2016	2017	2018-2021	> 2021	Total
Covered Bonds						
EUR	763 000	325 000	200 000	200 000		1 488 000
	763 000	325 000	200 000	200 000		1 488 000
Fixed rate bonds						
EUR	141 365	254 564	6 652	1 280	20 000	423 861
	141 365	254 564	6 652	1 280	20 000	423 861
Variable rate bonds						
EUR		14 072				14 072
		14 072				14 072
Variable income bonds						
EUR	24 282	30 371	62 879	85 588		203 120
USD	11 503	10 881	16 877	24 079		63 340
	35 785	41 252	79 756	109 667		266 460
Total	956 485	634 888	286 408	310 947	20 000	2 208 728

4.21. Financial liabilities relating to transferred assets

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Liabilities relating to assets not derecognised in securitisation operations (Note 4.7)		
Loans		
Housing loans	3 069 951	4 530 686
Loans to SME's	3 366 700	3 373 700
Liabilities held by the BPI Group	(5 480 072)	(6 856 024)
Accrued costs	1 078	1 479
Commission relating to amortised cost (net)	(1 599)	(2 110)
	956 058	**1 047 731**

Banco BPI launched securitisation operations, the main features of which are summarised in the tables below. These were issued through Sagres – Sociedade de Titularização de Créditos S.A..

The bonds issued by securitisation vehicles and held by BPI Group entities were eliminated in the consolidation process.

On February 11, 2011 Banco BPI launched its second small and medium company securitisation operation, in the amount of 3 472 400 t. euro, under the name of Douro SME Series 2. The operation was issued through Sagres – Sociedade de Titularização de Créditos S.A..The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Fitch / DBRS)	Guarantee	Spread / Fixed rate
▪ Class A Notes	1 819 400	2.75	A+/A	Without guarantee	0.15%
▪ Class B Notes	1 317 500	2.75	n/r	Without guarantee	n/a
▪ Class C Notes		n/a	n/r	Without guarantee	n/a
▪ Class D Notes	229 800	2.75	n/r	Without guarantee	Residual interest
Total of the issues	3 366 700				
Liabilities held by BPI Group	(3 366 700)				
Total					

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

On November 24, 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 t. euro, under the name of DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread
▪ Class A Notes	359 928	5.51	A3/BBB+/A+	0.28%
▪ Class B Notes	7 616	5.51	Ba2/BB/A	0.34%
▪ Class C Notes	6 924	5.51	B1/BB/BBB	0.54%
▪ Class D Notes	5 770	5.51	B3/BB-/BB	0.94%
▪ Class E Notes	6 084	5.51	nr/nr/nr	Residual Interest
Total of the issues	386 322			
Other funds	3			
Liabilities held by BPI Group	(99 592)			
Total	286 733			

On September 28, 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 t. euro under the name of DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread [1]
▪ Class A1 Notes	4 992	6.91	A1/BBB+/A	0.05%
▪ Class A2 Notes	504 507	6.91	Baa1/BBB+/A	0.14%
▪ Class B Notes	12 444	6.91	Ba3/BB/BBB	0.17%
▪ Class C Notes	8 072	6.91	B2/B/BB	0.23%
▪ Class D Notes	6 390	6.91	Caa1/B-/B	0.48%
▪ Class E Notes	6 437	6.91	nr/nr/nr	Residual Interest
Total of the issues	542 842			
Liabilities held by BPI Group	(372 635)			
Total	170 207			

[1] Until the date of the call option (October 2015); after this date, if the option is not exercised, the spread doubles.

On July 31, 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 t. euro under the name of DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread [1]
▪ Class A Notes	755 512	8.03	Baa2/BB/BBB+	0.16%
▪ Class B Notes	19 370	8.03	nr/B/BB+	0.17%
▪ Class C Notes	11 518	8.03	nr/B-/BB	0.23%
▪ Class D Notes	9 947	8.03	nr/B-/B	0.48%
▪ Class F Notes	1 251	8.03	nr/nr/nr	Residual Interest
Total of the issues	797 598			
Other funds	(1)			
Liabilities held by BPI Group	(297 958)			
Total	499 639			

[1] Until the date of the call option (August 2016); after this date, if the option is not exercised, the spread is multiplied by 1.5.

On August 6, 2010 Banco BPI launched its fifth housing loan securitisation operation in the amount of 1 421 000 t. euro under the name of DOURO Mortgages No. 5.The operation was issued in 3 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (S&P, DBRS)	*Spread*
▪ Class A Notes	1 021 187	0.06	A/AA	0.20%
▪ Class B Notes	301 000	0.06	nr/nr	0.00%
▪ Class C Notes	21 000	0.06	nr/nr	Residual Interest
Total of the issues	1 343 187			
Liabilities held by BPI Group	(1 343 187)			
Total				

Note: This operation was fully repaid on July 21, 2015 by exercise of the call option.

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 the first half of 2015 were as follows:

	Balance at Dec. 31, 14 Proforma	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 15
Impairment losses on deposits at other credit institutions (Note 4.2)					2	2
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)	1 036 661	88 277	(13 067)	(118 374)	(1 398)	992 099
Impairment losses on financial assets available for sale (Note 4.5)						
Debt instruments	1 045			(1 045)		
Equity instruments	46 375	2 332		(1 779)	70	46 998
Other securitites	43 345	1 899		(9)		45 235
Loans and other receivables	21 359	248				21 607
Impairment losses 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	29 390	2 304	(185)	(1 506)		30 003
Debtors, other applications and other assets	1 449	283	(124)		(76)	1 532
Impairment losses and provisions for guarantees and commitments	38 559	5 015			(223)	43 351
Other provisions	68 774	12 279	(1 460)	(388)	(2 815)	76 390
	1 295 491	**112 637**	**(14 836)**	**(131 633)**	**(4 442)**	**1 257 217**

Utilisation of impairment losses on loans and advances to customers in the first half of 2015 corresponds to credit write-offs, of which 74 514 t. euro relates to loans sold.

The increase net of decreases in impairment losses on loans and advances in the first half of 2015 includes (6 677) t. euro relating to the operations of BPI Vida, that was included under caption "Technical result of insurance contracts" (Note 4.39).

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). The investment was sold in the first half of 2015, and the respective impairment was used.

In the first half of 2015, the increases net of decreases of impairment losses on debtors, other applications and other assets and of other provisions include, respectively, 278 t. euro and 1 263 t. euro relating to Imofomento’s operations. In the statement of income, these impairment losses were included under caption “Net Operating Income” (Note 4.42).

The changes in the Group's provisions and impairment losses in the first half of 2014 were as follows:

	Balance at Dec. 31, 13 Proforma	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at Jun. 30, 14 Proforma
Impairment losses on loans and advances to credit institutions	2					2
Impairment losses on loans and advances to customers	931 935	104 336	(6 313)	(11 366)	575	1 019 167
Impairment losses on financial assets available for sale						
Debt instruments	1 635			(590)		1 045
Equity instruments	46 105	287			7	46 399
Other securitites	18 188	4 265				22 453
Loans and other receivables	20 743	215				20 958
Impairment losses on other assets						
Tangible assets held for sale	35 781	2 504	(375)	(1 946)		35 964
Debtors, other applications and other assets	982	1 730	(414)	(63)		2 235
Impairment losses and provisions for guarantees and commitments	46 766	4 229			(129)	50 866
Other provisions	77 272	2 184	(3 163)	(13 817)	(55)	62 421
	1 179 409	**119 750**	**(10 265)**	**(27 782)**	**398**	**1 261 510**

Utilisation of impairment losses on loans and advances to customers during the first half of 2014 corresponds to credit write-offs, of which 10 178 t. euro relates to loans sold.

The increase in impairment losses on loans and advances in the first half of 2014 includes 2 190 t. 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 other provisions during the first half of 2014 include 830 t. euro and 84 t. 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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Immediate Life Annuity / Individual	4	4
Immediate Life Annuity / Group	23	24
Family Savings	9	9
BPI New Family Savings	2 424 983	2 565 208
BPI Retirement Guaranteed	158 037	162 608
BPI Retirement Savings	946 361	1 016 746
BPI Non Resident Savings	424 795	399 520
Planor	5 434	5 430
PPR BBI Life	2 301	2 193
Savings Investment Plan / Youths	2	25
South PPR	47	61
	3 961 996	**4 151 830**

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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Current Tax Liability		
Corporate income tax payable	40 116	12 343
Other	238	259
	40 354	12 602
Deferred Tax Liability		
On temporary differences	21 580	30 028
	21 580	30 028
	61 934	**42 630**

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 June 29, 2012 under the Recapitalisation Plan.

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 4.51).
The Recapitalisation Plan, in the amount of 1 500 000 t. euro, included:

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

On June 29, 2012 the Portuguese State subscribed for debt instruments eligible for Core Tier 1 own funds (contingent convertible subordinated bonds), in the amount of 1 500 000 t. euro. The features of these instruments were defined in Law 63 – A/2008 of November 24, as republished by Law 4/2012 of January 11 (Bank Recapitalisation Law), in Ministerial Order 150-A/2012 of May 17 and in the Terms and Conditions established in Order 8840-A/2012 of the Portuguese Minister of State and Finance of June 28, 2012. The investment period of the instrument is five years as from the date of issue, and the Recapitalisation Plan of the Bank established partial repayments over the period of the instrument. On August 10, 2012 the Bank completed the capital increase of 200 000 t. euro, with shareholders' preemptive rights (Note 4.28). The amount received was used in August 13, 2012 by the Bank to repay part of the contingent convertible subordinated bonds, the par value of which was reduced to 1 300 000 t. euro. Since that date the Bank has fully repaid the contingent convertible subordinated bonds, as follows:

- 100 000 t. euro on December 4, 2012;
- 200 000 t. euro on March 13, 2013;
- 80 000 t. euro on July 16, 2013;
- 500 000 t. euro on March 19, 2014;
- 420 000 t. euro on June 25, 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 June 28, 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 I) and the other alternatives provided for under this Section are not possible;
- occurrence of an event qualified as change in control under Section 9.2. of the Terms and Conditions;
- exclusion of Banco BPI shares from listing on a regulated market, under Section 9.2. of the Terms and Conditions.

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 October 1, 2012 the amount of instruments issued exceeds 1 300 000 t. euro), which will no longer occur because, as mentioned above, in August, 2012, 200 000 t. euro of these instruments were repurchased, reducing the amount on that date to 1 300 000 t. euro.

4.26. Other Subordinated debt and participating bonds

This caption is made up as follows:

	Jun. 30, 15				Dec. 31, 14 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		420 000	(360 000)	60 000	2.4%
	420 000	**(360 000)**	**60 000**		**420 000**	**(360 000)**	**60 000**	
Other Bonds								
EUR	400 000	(391 293)	8 707		400 000	(391 293)	8 707	1.6%
	400 000	**(391 293)**	**8 707**		**400 000**	**(391 293)**	**8 707**	
	820 000	**(751 293)**	**68 707**		**820 000**	**(751 293)**	**68 707**	
Participating bonds								
EUR	28 081	(27 349)	732		28 081	(27 349)	732	0.7%
	28 081	**(27 349)**	**732**		**28 081**	**(27 349)**	**732**	
Accrued interest			77				82	
			77				82	
			69 516				69 521	

In the first half of 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 t. euro and 2 932 t. euro, respectively (Note 4.41).

In the first half of 2015, there were no changes in debt issued by the BPI Group.

The changes in debt issued by the BPI Group in 2014 were as follows:

	Perpetual bonds	Other bonds	Participating bonds	Total
Balance at December 31, 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 December 31, 2014	60 000	8 707	732	69 439

Perpetual and other bonds issued by the BPI Group at June 30, 2015 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 December 31, 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.

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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Creditors and other resources		
Creditors for futures operations	21 672	10 787
Consigned resources	34 832	16 170
Captive account resources	7 724	7 884
Guarantee account resources	10 642	11 528
State administrative sector		
Value Added Tax (VAT) payable	399	335
Tax withheld at source	17 033	20 615
Social Security contributions	4 389	4 758
Other	874	1 008
Dividends payable	58 630	
Contributions to other health systems	1 385	1 439
Creditors for factoring contracts	33 230	30 687
Creditors for the supply of assets	11 354	5 851
Contributions owed to the Pension Fund		
Pensioners and employees		47 008
Directors		3 393
Other creditors	95 966	104 497
Deferred costs	(210)	(60)
	297 920	265 900
Liabilities with pensions and other benefits		
Pension Funds Assets		
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	260	173
Personnel costs	107 839	92 309
General administrative costs	51 703	45 025
Contribution over the banking sector	6 600	16 487
Others	2 983	5 182
	169 385	159 176
Deferred income		
On guarantees given and other contingent liabilities	3 666	3 861
Others	8 263	6 082
	11 929	9 943
Deferred expenses		
Other liabilities		(1 290)
		(1 290)
Other accounts		
Securities operations pending settlement - non stock exchange operations		24 341
Liabilities pending settlement	78 799	76 831
Other operations pending settlement	124 939	102 426
	203 738	203 598
	682 972	**720 324**

The caption “Dividends payable” at June 30, 2015 corresponds to dividends to payable by Banco de Fomento de Angola to its minority shareholders.

The caption “Other creditors” at June 30, 2015 and December 31, 2014 includes 74 704 t. euro and 80 980 t. euro, respectively, relating to unrealized capital subscribed for in Venture Capital Funds:

	Jun. 30, 15	Dec. 31, 14
Fundo de Recuperação, FCR	18 593	19 779
Fundo InterRisco II CI	22 334	22 762
Fundo InterRisco II - Fundo de Capital de Risco	14 446	15 189
FCR - Fundo Revitalizar	6 545	10 182
Fundo de Reestruturação Empresarial, FCR	1 568	1 594
Other funds	11 218	11 474
	74 704	**80 980**

At June 30, 2015 and December 31, 2014 the caption “Accrued costs – Personnel costs” included 31 326 t. euro and 30 030 t. euro, respectively, relating to long service premiums.

The main actuarial and financial assumptions used to calculate the long service premium liability are as follows:

	Jun. 30, 15	Dec. 31, 14
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W -3 years	
Financial assumptions:		
Discount rate		
Beginning of the year	2.50%	4.00%
End of the year	2.50%	2.50%
Salary growth rate [2]		
Beginning of the year	1.00%	1.50%
End of the year	1.00%	1.00%
Mandatory promotions due to antiquity and seniority	0.50%	0.50%

1 Life expectancy considered was 2 years greater than the mortality table used, for men and 3 years for women.
2 Estimated salary evolution, given the mandatory promotions due to antiquity and the seniority payments, was 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 the first half of 2015 and in 2014 were as follows:

	Jun. 30, 15	Dec. 31, 14
Long service premiums at the beginning of the period	30 030	25 173
Personnel costs:		
Current service cost	1 298	2 348
Interest cost	403	1 035
Actuarial gains and losses		
Changes in assumptions		2 891
Others		(720)
Long service premium payments	(405)	(697)
Long service premiums at the end of the period	**31 326**	**30 030**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, Banco BPI changed its accounting policy for recognizing the extraordinary contribution over the banking sector as it believes that the event which creates the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which is June of the following year. Thus, the corresponding liability for the extraordinary contribution over the banking sector as well as its cost started being recognized on a straight-line basis over the year preceding its payment.

The caption “Non stock exchange transactions pending settlement” at December 31, 2014 refers to the acquisition of securities only settled in the following month.

The caption “Liabilities pending settlement”, at June 30, 2015 and December 31, 2014 includes:

- 34 247 t. euro and 33 161 t. euro, respectively, relating to loan securitization fund transactions;
- 4 452 t. euro and 3 183 t. euro, respectively, relating to ATM/POS transactions to be settled with SIBS.

The caption “Other operations pending settlement”, at June 30, 2015 and December 31, 2014 includes 113 388 t. euro and 95 021 t.euro, respectively, relating to transfers under SEPA (Single Euro Payment Area).

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 January 3, all the bank employees that benefit from CAFEB – Caixa de Abono de Família dos Empregados Bancários were incorporated into the General Social Security Regime, as from January 1, 2011, being covered by this regime as regards old age pensions and in the case of maternity, paternity and adoption leave, the cost of which the Bank will no longer cover. Given the complementary nature of the rules under the Collective Labour Agreement for the Portuguese Banking Sector (Acordo Colectivo de Trabalho do Sector Bancário), the Bank will continue to guarantee the difference between the amount of the benefits that will be paid under the General Social Security Regime for the eventualities covered and the benefits established in the Collective Labour Agreement.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of the past service liability remained unchanged at December 31, 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única) of 23.6%.

Incapacity and survivor pensions and sickness subsidy of these employees will continue to be the Bank’s responsibility.

Decree-Law 127/2011 of December 31, establishes the transfer to the Social Security of the liability for costs of the retirement and survivor pension liabilities of retired personnel and pensioners that were in that situation at December 31, 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pilar 1), as well as transfer to the Portuguese State of the corresponding pension fund assets covering those liabilities.

Through its pension fund, Banco BPI maintains the liability for payment of (i) the amount of the updates of the pensions mentioned above, in accordance with the criteria set out in the Collective Labour Agreement (Acordo Colectivo de Trabalho); (ii) the benefits complementary to the retirement and survivor pensions assumed by the Collective Labour Agreement for the Banking Sector; (iii) the contribution on the retirement and survivor pensions for the Social Medical Support Services (Serviços de Apoio Médico-Social); (iv) death subsidy; (v) survivor pensions to children and surviving spouse related to the same employee and (vi) survivor pensions due to the family of current retired employees, in which the conditions for granting the pensions occurred as from January 1, 2012.

The value of the pension fund assets transferred to the Portuguese State corresponds to the value of the liabilities undertaken by Social Security and was determined taking into account the following assumptions: (i) discount rate of 4%; (ii) mortality tables under the regulations defined by the Portuguese Insurance Institute (Instituto de Seguros de Portugal): male population: TV 73/77 less 1 year; female population: TV 88/90.

Transfer of the pension fund assets was made entirely in cash.

Transfer of ownership of the assets was carried out by the Bank under the following conditions: (i) in December 2011, the amount equivalent to 55% of the preliminary present value of the liability; (ii) in 2012, the remaining amount to complete the definitive present value of the liability, as a result of 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.

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[1] Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, BPI Private Equity and BPI Vida e Pensões)

Since the transfer to the Social Security corresponds to settlement, extinguishing the corresponding liability of Banco BPI, the difference between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI in the amount of 99 652 t. euro was recorded in 2011 in the statement of income caption “Operating gains and losses”, as established in paragraph 110 of IAS 19. As a result of the final determination of the liability transferred to the Portuguese State and the corresponding total and definitive transmission of the Pension Funds’ assets, differences in relation to the provisional amounts at the end of 2011 were determined, of which 1 542 t. relates to the amount of the liability and 1 688 t. euro to the value of the fund. The positive difference between these amounts, totalling 145 t. euro, was recorded in 2012 in the caption “Operating gains and losses”.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liability, as well as for managing the respective Pension Funds.

The “Projected Unit Credit” method was used to calculate the normal cost and past service liability due to age, and the “Single Successive Premiums” method was used to calculate the cost of the incapacity and survivor benefits.

The BPI Vida e Pensões pension plan was changed in accordance with the new Collective Labour Agreement (Contrato Colectivo de Trabalho – CCT) for the Portuguese Insurance Sector, signed in December 2011, and published in Labour and Employment Bulletin (Boletim do Trabalho e Emprego), n. 2, of January 15, 2012, the defined benefit plan ceasing to exist and a defined contribution plan being introduced. Therefore, the amount of the past service liability at December 31, 2011, relating to retirement pensions of current employees, hired up to June 22, 1995, which was covered by clause 51, item 4 of the Collective Labour Agreement (the consolidated text of which was published in Labour and Employment Bulletin, n. 32, of August 29, 2008), that was fully funded, was converted into individual accounts of the employees in 2012. This change does not apply to the pension liability under payment relating to employees that at December 31, 2011 were retired or pre-retired.

The commitments assumed in the regulations of the Banco BPI Pension Plans are funded by Pension Funds and so Banco BPI is exposed to risks resulting from the valuation of the liability and the value of the related pension funds.

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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W - 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate of Banco BPI		
Beginning of the year	2.50% [2]	4.00% [3]
End of the year	2.50% [2]	2.50% [2]
Discount rate of the other companies		
Beginning of the year	2.50%	4.00%
End of the year	2.50%	2.50%
Pensionable salary increase rate [4]	1.00%	1.00%
Pension increase rate	0.50%	0.50%

1 Life expectancy considered was 2 years greater than the mortality table used, for men and 3 years for women.

2 A discount rate of 2.83% for current employees and 2.00% for pensioners was considered, which is similar to that which would be obtained if a single discount rate of 2.5% were used for the entire population.

3 A discount rate of 4.33% for current employees and 3.50% for pensioners which is similar to that which would be obtained if a single discount rate of 4.0% were used for the entire population.

4 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:

	Jun. 30, 15	Dec. 31, 14 Proforma
Pensionable salary increase rate[1]	[1]	1.30% [2]
Pension increase rate	[1]	0.00% [3]
Pension fund income rate		
Banco BPI	9.94% [4]	7.68%
Other companies	3.37% [4]	5.98%

1 Determined solely on an annual basis.

2 Calculated based on the changes in pensionable salaries of employees working for Group companies at the beginning and end of the year (includes changes in remuneration levels, the effect of mandatory promotions due to antiquity and seniority payments and does not reflect new hires and exits).

3 Corresponds to the ACTV table update rate.

4 Rate relative to the first half of 2015, not annualized.

The following assumptions were used to calculate the amount of the social security pension which, under the provisions of the Collective Labour Agreement (ACT), must be deducted from the pension established in the ACT:

	Jun. 30, 15	Dec. 31, 14 Proforma
Salary increase rate for purposes of calculating the Social Security pension[1]	2.00%	2.00%
Salary revaluation rate for purposes of calculating the Social Security pension	1.00%	1.00%
Social Security pension increase rate	0.50%	0.50%

1 Pensionable salary for Social Security includes all wages, while the pensionable salary under ACT consists only to the portion of the level base salary and seniority payments, with an estimated evolution of the total pensionable salary for Social Security larger than the pensionable salary under ACT.

Calculation of the liability for retirement and survivor pensions of the BPI Group at June 30, 2015 was based on projections of the amounts of the actuarial evaluation as of December 31, 2014.

At December 31, 2014 the number of pensioners and employees covered by the pension plans funded by the pension funds was as follows:

	Dec. 31, 14 Proforma
Retired pensioners	7 067
Survivor pensioners	1 288
Current employees	5 732
Former employees (clauses 137º A and 140 of the ACTV)	3 177
	17 264

The past service liability for pensioners and employees of the BPI Group and respective coverage by the Pension Fund at June 30, 2015 and December 2014 are as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Total past service liability		
Liability for pensions under payment	678 076	677 871
Of which: [increase in the liability resulting from early retirements during the period]		[42 460]
Past service liability of current and former employees	600 955	600 523
	1 279 031	**1 278 394**
Net assets of the pension funds	1 354 314	1 201 648
Contributions to be transferred to the Pension Fund		47 008
Excess/(Insufficient) cover	75 283	(29 738)
Degree of coverage	106%	98%

The average duration of the pension liability of BPI Group employees is 17.6 years, including both current employees and pensioners.

On December 31, 2014 the Bank recorded in the caption "Other Liabilities – Contributions to the Pension Fund" (Note 4.27) the amount of 47 008 t. 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%.

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:

	June 30, 2015	2014 Proforma	2013 Proforma	2012 Proforma	2011
Total past service liability	1 279 031	1 278 394	1 082 369	937 090	835 767
Net assets of the Pension Fund	1 354 314	1 201 648	1 129 067	986 874	801 250
Contributions to be transferred to the Pension Fund		47 008	2 853	500	37 888
Excess/ (insufficient) cover	75 283	(29 738)	49 551	50 284	3 371
Degree of coverage	106%	98%	105%	105%	100%

The changes in the present value of the past service liability in the first half of 2015 and 2014 were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Liability at the beginning of the period	1 278 394	1 082 369
Current cost:		
Of the BPI Group	(1 362)	(642)
Of the employees	1 817	3 602
Interest cost	15 131	39 723
Actuarial (gain) and loss in the liability		134 665
Early retirements		42 460
Pensions payable (estimate)	(14 949)	(23 783)
Liability at the end of the period	**1 279 031**	**1 278 394**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at June 31, 2015 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%	(59 771)
Decrease by 0.25%	5.0%	64 033
Change in the pensionable salary increase rate [2]		
Increase by 0.25%	1.7%	22 220
Change in the pension increase rate [3]		
Increase by 0.25%	6.0%	77 122
Mortality Table		
+1 year	3.3%	42 728

[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 the first half of 2015 and 2014 were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Net assets of the Pension Fund at the beginning of the period	1 201 648	1 129 067
Current cost:		
Of the BPI Group	47 008	7 848
Of the employees	1 817	3 602
Pension Fund income (net)		
Income on Plan assets computed with the discount rate	14 682	41 834
Deviation of return on assets	104 146	44 594
Plan conversion of BPI Vida e Pensões	(14 987)	(25 297)
Net assets of the Pension Fund at the end of the period	**1 354 314**	**1 201 648**

The estimated contribution to the pension plan to be made in 2015 amounts to 1 913 t. euro.

At June 30, 2015 and December 31, 2014 the assets of the Banco BPI Employees' Pension Funds were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Liquidity	8.9%	7.8%
Fixed rate bonds		
Listed	15.4%	14.6%
Floating rate bonds		
Listed	13.7%	15.2%
Portuguese shares		
Listed	30.9%	27.0%
Not listed	3.5%	4.1%
Foreign shares		
Listed	3.3%	3.1%
Real Estate	23.4%	27.2%
Others		
Listed	0.9%	1.0%
	100.0%	**100.0%**

In the first half of 2015 the contributions made by the Group to the pension fund were made in securities amounting to 42 602 t.euro and cash amounting to 4 406 t.euro. In 2014 the contributions made by the Group to the pension fund were made in real estate in the amount of 4 995 t.euro and cash of 2 853 t.euro.

The changes in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities in the first half of 2015 were as follows:

	Dec. 31, 14 Proforma	Acquisitions	Changes in fair value	Sales	June. 30, 15
Fair value of the plan assets:					
Financial instruments issued by the BPI Group					
Bonds	60 072		(6)		60 066
	60 072		(6)		60 066
Premises used by the BPI Group	203 151	600	(3 325)	5 551	194 875
	263 223		**(3 331)**	**5 551**	**254 941**

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:

	Dec. 31, 13 Proforma	Changes in fair value	Sales	Dec. 31, 14 Proforma
Fair value of the plan assets:				
Financial instruments issued by the BPI Group				
Shares				
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**

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 2011 to 2014 and in the first half of 2015 were as follows:

Amount at December 31, 2010 Proforma	**(254 767)**
Adjustment in the ACTV Table below the estimate	39 559
Change in the actuarial assumptions	181 228
Deviation in pension CGA[2]	16 370
Deviation in pension fund income	(300 665)
Deviation in pensions paid	(1 098)
Others	2 668
Amount at December 31, 2011	**(316 705)**
Of which:	
Deviation associated with the transferred liabilities	(193 538)
Deviation associated with the liabilities that remain with the Bank	(123 167)
Amount at December 31, 2011 [3]	**(123 167)**
Adjustment in the ACTV Table below the estimate	26 181
Change in the actuarial assumptions	
Discount rate and pension increase rate	(98 212)
Others [4]	(9 026)
Deviation in pension fund income	113 349
Deviation in pensions paid	597
Others [5]	885
Amount at December 31, 2012 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 December 31, 2013 Proforma	**(92 307)**
Adjustment in the ACTV Table below the estimate	18 305
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(149 225)
Others	(2 400)
Deviation in pension fund income	44 594
Deviation in pensions paid	(1 516)
Others	(1 345)
Amount at December 31, 2014 Proforma (Note 4.32)	**(183 894)**
Deviation in pension fund income	104 146
Deviation in pensions paid	(35)
Amount at June 30, 2015 (Note 4.32)	**(79 783)**

[1] Actuarial gains and losses due to differences between the actuarial assumptions and the amounts effectively realised and changes in the actuarial assumptions.

[2] Change in the calculation and payment rules of CGA – Caixa Geral de Aposentações pensions, which had the effect of reducing the amount of pensions payable by the Bank relating to employees for which years of service in the Public Sector were recognised.

[3] Excluding deviations relating to transferred liabilities.

[4] Includes 7 426 t. euro relating to deviations caused by changes in the salary growth calculating methodology.

[5] Includes (25) t. euro relating to BPI Vida e Pensões.

The consolidated financial statements as of June 30, 2015 and 2014 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):

	Jun. 30, 15	Jun. 30, 14 Proforma
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	15 131	20 884
Income on Plan assets computed with the discount rate	(14 682)	(21 796)
	449	**(912)**
Personnel costs		
Current service cost	(1 362)	(53)
	(1 362)	**(53)**

The Members of the Executive Board of Banco BPI, S.A. and the remaining Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan. At December 31, 2006 a pension fund was started to cover this liability.

The main actuarial assumptions used to calculate the pension liability were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Demographic assumptions:		
Mortality table [1]	TV 73/77-M - 2 years TV 88/90-W - 3 years	
Incapacity table	EKV 80	EKV 80
Personnel turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions:		
Discount rate		
Beginning of the year	2.50%	4.00%
End of the year	2.50%	2.50%
Pensionable salary increase rate	0.50%	0.50%
Pension increase rate [2]	0.50%	0.50%

1 The life expectancy considered was 2 years greater than the mortality table used, for men and 3 years for women.
2 Increase equal to the variation of the Consumer Index Prices rate according with the rules of the pension plan.

The actual results obtained in relation to the main financial assumptions were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Pensionable salary increase rate	[1]	0.0% [2]
Pension increase rate	[1]	0.3% [3]
Pension fund income rate	3.67% [4]	6.36%

1 Determined solely on an annual basis.

2 Calculated based on the changes in pensionable salaries of Directors serving in the Group companies in the beginning and end of the year.

3 Corresponds to the variation in the CPI in accordance with the pension plan rules.

4 Rate relative to the first half of 2015, not annualized.

At June 30, 2015 and December 31, 2014 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Total past service liability		
Liability for pensions under payment	18 967	18 670
Past service liabilty relating to the current and former directors	25 633	25 074
	44 600	**43 744**
Net assets of the pension fund	43 322	39 098
Contributions to be transferred to the Pension Fund		3 393
Excess/(Insufficient) cover	(1 278)	(1 253)
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 December 31, 2014 the Bank recorded in the caption "Other Liabilities - Contributions to the Pension Fund" (Note 4.27) the amount of 3 393 t. 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%.

At June 30, 2015 and December 31, 2014 the degree of coverage of the liabilities 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.

The changes in the degree of coverage of the liabilities in the last five years were as follows:

	June 30, 2015	2014 Proforma	2013 Proforma	2012 Proforma	2011
Total past service liability	44 600	43 744	39 137	35 113	31 141
Net assets of the Pension Fund	43 322	39 098	35 262	32 638	28 335
Contributions to be transferred to the Pension Fund		3 393	2 805	2 475	2 806
Excess/ (insufficient) cover	(1 278)	(1 253)	(1 070)		
Degree of coverage	97%	97%	97%	100%	100%

The changes in the present value of the past service liability of the plan in the first half of 2015 and in 2014 were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Liability at the beginning of the period	43 744	39 137
Current service cost	903	1 752
Interest cost	562	1 548
Actuarial (gain)/loss in the liability		2 683
Pensions payable (estimate)	(609)	(1 376)
Liability at the end of the period	**44 600**	**43 744**

The sensitivity analysis to a variation of the main financial assumptions for the entire period covered by the actuarial valuation (and not just a variation in a given year) at June 30, 2015 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%	(1 379)
Decrease by 0.25%	3.2%	1 449
Change in the pensionable salary increase rate [2]		
Increase by 0.25%	0.8%	346
Change in the pension increase rate [3]		
Increase by 0.25%	2.9%	1 286
Mortality Table		
+1 year	3.5%	1 541

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 in the first half of 2015 and in 2014 were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Net assets of the Pension Fund at the beginning of the period	39 098	35 262
Contributions made	3 393	2 805
Pension Fund income (net)		
Income on Plan assets computed w ith the discount rate	539	1 428
Deviation of return on assets	894	816
Pensions paid by the Pension Fund	(602)	(1 213)
Net assets of the Pension Fund at the end of the period	**43 322**	**39 098**

At June 30, 2015 and December 31, 2014 the net assets of the Banco BPI Directors' Pension Fund were as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Liquidity	11.6%	14.3%
Fixed rate bonds		
Listed	45.4%	41.7%
Indexed rate bonds		
Listed	5.6%	5.4%
Shares		
Listed	30.7%	31.7%
Real Estate		
Listed	1.2%	1.2%
Others		
Listed	5.5%	5.7%
	100.0%	**100.0%**

Contributions to the Pension Funds in the first half of 2015 and in 2014 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 2011 to 2014 and in the first half of 2015 were as follows:

Amount at December 31, 2010 Proforma	**515**
Change in actuarial assumptions	994
Deviation in pension fund income	(1 927)
Deviation in pensions paid	69
Amount at December 31, 2011	**(349)**
Change in the financial and demographic assumptions	(1 716)
Deviation in pension fund income	859
Deviation in pensions paid	232
Others	(458)
Amount at December 31, 2012 Proforma	**(1 432)**
Change in the financial and demographic assumptions	
Discount rate and pension increase rate	(2 262)
Mortality table	(1 192)
Deviation in pension fund income	(238)
Deviation in pensions paid	236
Others	1 236
Amount at December 31, 2013 Proforma	**(3 652)**
Change in the financial and demographic assumptions	
Discount rate and pension and salary increase rate	(4 897)
Changes on the retirement age assumptions	1 709
Deviation in Pension Fund income	816
Deviation in pensions paid	163
Others	505
Amount at December 31, 2014 Proforma (Note 4.32)	**(5 356)**
Deviation in Pension Fund income	894
Deviation in pensions paid	7
Amount at June 30, 2015 (Note 4.32)	**(4 455)**

The consolidated financial statements as of June 30, 2015 and 2014 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):

	Jun. 30, 15	**Jun. 30, 14 Proforma**
Interest and financial gain and loss with pensions		
Interest cost relating to the liabilities	562	804
Income on Plan assets computed with the discount rate	(539)	(726)
	23	**78**
Personnel costs		
Current service cost	903	858
	903	**858**

4.29. Share capital

At June 30, 2015 Banco BPI's share capital amounted to 1 293 063 t. euro, represented by 1 456 924 237 ordinary, nominal dematerialized shares, of no par value.

The Shareholders' General Meeting held on April 23, 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 t. euro, of which 115 758 t. 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 t. euro. Following this operation, Banco BPI's share capital was increased to 1 293 063 t. euro,

The Shareholders' General Meeting held on April 23, 2014 granted the Board of Directors of Banco BPI authorization to do 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 December 22, 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:

	Jun. 30, 15	Dec. 31, 14
Other equity instruments		
Cost of shares to be made available to Group employees		
RVA 2011		1
RVA 2012	34	23
RVA 2013	436	589
RVA 2014		530
RVA 2015	307	
Costs of options not exercised (premiums)		
RVA 2009		786
RVA 2010	548	558
RVA 2011	46	49
RVA 2012	753	475
RVA 2013	1 330	1 331
RVA 2014		928
RVA 2015	399	
	3 853	5 270
Treasury shares		
Shares to be made available to Group employees		
RVA 2011		1
RVA 2012	13	26
RVA 2013	622	935
Shares hedging RVA options		
RVA 2009		6 242
RVA 2010	6 372	250
RVA 2011	2 156	2 248
RVA 2012	3 461	3 950
RVA 2013	24	23
Other shares	152	153
	12 800	13 828

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 June 30, 2015 and December 31, 2014 reflect 6 445 768 and 6 880 744 treasury shares, respectively, including 359 486 and 550 617 treasury shares to be made available under the RVA program for which ownership was transferred to the employees on the grant date.

In the first half of 2015 and in 2014 the Bank recorded directly in shareholders’ equity losses of - 1 336 t. euro and - 2 586t. euro, respectively, on the sale of treasury shares hedging the variable remuneration (RVA) program.

4.31. Revaluation reserves

This caption is made up as follows:

	Jun. 30, 15	Dec. 31, 14
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (Note 4.5):		
Debt Instruments		
Securities	132 464	158 724
Hedging derivatives	(180 454)	(220 439)
Equity Instruments	28 420	30 379
Other	(3 176)	(3 837)
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(67 707)	(33 075)
Equity instruments available for sale	3	(1)
Legal revaluation reserve	703	703
	(89 747)	**(67 546)**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	14 335	18 565
Tax liabilities	(1 988)	(2 162)
	12 347	**16 403**
	(77 400)	**(51 143)**

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:

	Jun. 30, 15	Dec. 31, 14
Legal reserve	86 124	86 124
Merger reserve	2 530	2 530
Consolidation reserves and retained earnings	728 946	669 936
Other reserves	340 855	568 299
Actuarial deviations		
Associated w ith the transferred liabilities	(193 538)	(193 538)
Associated w ith the liabilities that remain w ith the Bank	(84 238)	(189 250)
Taxes related to actuarial deviations	70 666	100 890
Loss on treasury shares	(6 023)	(4 688)
Taxes relating to gain on treasury shares	1 504	1 784
	946 826	**1 042 087**

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

At June 30, 2015 and December 31, 2014 the share premium account and legal reserve of the BPI Group companies which, under the applicable regulations, may not be distributed, amounted to 191 213 t. euro and 184 034 t. euro, respectively which, weighted by Banco BPI’s effective participation percentage in these companies, amounted to 92 536 t. euro and 88 608 t. euro, respectively. These reserves are included in the captions consolidation reserves and retained earnings and revaluation reserves.

The caption “Consolidation reserves” at June 30, 2015 and December 31, 2014 includes 23 147 t. euro and 28 302 t. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by the BPI Group’s (effective) participation in them.

In 2014 BPI Group recorded under the caption "Consolidation reserves and retained earnings" the amount of 9 536 t. 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 December 31, 2014 also includes (3 467) t. 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	
	Jun. 30, 15	Dec. 31, 14	Jun. 30, 15	Jun. 30, 14 Proforma
Minority shareholders in:				
Banco de Fomento Angola, S.A.	389 492	416 464	69 433	49 020
BPI Capital Finance Ltd	1 804	1 805	22	659
	391 296	**418 269**	**69 455**	**49 679**

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 June 30, 2015 and December 31, 2014 include 1 786 t euro, relating to preference shares:

	Jun. 30, 15			Dec. 31, 14		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
"C" Series Shares	250 000	(248 214)	1 786	250 000	(248 214)	1 786
	250 000	(248 214)	1 786	250 000	(248 214)	1 786

The C Series preference shares, with a nominal value of 1 000 each, issued in August 2003, entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 1.55 percentage points up to August 12, 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on February 12, May 12, August 12 and November 12 of each year. The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI's distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd, with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinate to all liabilities of Banco BPI and "pari passu" with any other preference shares that might be issued by the Group in the future.

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 t. 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 t. 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:

	Jun. 30, 15	Dec. 31, 14
Guarantees given and other contingent liabilities		
Guarantees and sureties	1 723 839	1 826 825
Stand-by letters of credit	72 056	75 882
Documentary credits	305 725	265 895
Sureties and indemnities	96	109
	2 101 716	**2 168 711**
Assets given as collateral	**7 969 160**	**8 444 846**
Commitments to third parties		
Irrevocable commitments		
Options on assets	9 371	13 713
Irrevocable credit lines	1 152	1 598
Securities subscription	355 930	303 726
Term commitment to make annual contributions to the deposit Guarantee Fund	38 714	38 714
Commitment to the Investor Indemnity System	9 550	9 188
Revocable commitments	2 992 642	2 989 001
	3 407 359	**3 355 940**
Responsibility for services provided		
Deposit and safeguard of assets	43 387 423	33 524 551
Amounts for collection	166 751	128 132
Assets managed by the institution	5 262 237	5 149 239
	48 816 411	**38 801 922**

The structure, by sector, of the guarantees given to the BPI Group at June 30, 2015 and December 31, 2014 is as follows:

	Jun. 30, 15		Dec. 31, 14	
	Amount	**%**	**Amount**	**%**
Domestic activity				
Agriculture, animal production and hunting	6 178	0.3	7 004	0.3
Forestry and forest operations	428		535	
Fishing	746		746	
Mining	4 310	0.2	4 443	0.2
Beverage, tobacco and food	24 119	1.1	83 035	3.8
Textiles and clothing	15 539	0.7	14 247	0.7
Leather and related products	1 697	0.1	1 697	0.1
Wood and cork	8 396	0.4	12 346	0.6
Pulp, paper and cardboard and graphic arts	4 441	0.2	5 503	0.3
Coke, refined petroleum products and fuel pellets	863		19 606	0.9
Chemicals, synthetic or artificial fibres, except pharmaceutical products	10 320	0.5	6 364	0.3
Base pharmaceutical products and pharmaceutical mixtures	1 995	0.1	2 246	0.1
Rubber and plastic materials	10 556	0.5	12 521	0.6
Other mineral non-metallic products	27 967	1.3	29 576	1.4
Metalworking industries	39 250	1.9	35 656	1.6
Computers, electronic, electrical and optical equipment	14 006	0.7	11 704	0.5
Transport equipment	16 357	0.8	13 051	0.6
Other manufacturing industries	6 611	0.3	7 967	0.4
Electricity, gas and water	43 405	2.1	55 553	2.6
Water treatment and collection	86 835	4.1	97 296	4.5
Construction	338 840	16.2	354 881	16.4
Wholesale and retail trade; motor vehicle and motorcycle repairs	200 101	9.5	204 714	9.4
Transport and storage	213 747	10.2	272 030	12.5
Restaurants and hotels	25 730	1.2	27 381	1.3
Information and communication activities	87 217	4.1	150 533	6.9
Investment holding companies	210 351	10.0	44 616	2.1
Financial intermediation, except for insurance and pension funds	41 914	2.0	27 499	1.3
Insurance, reinsurance and pension funds, except for mandatory social security	851		825	
Auxiliary activities to financial services and insurance	192		637	
Real estate	15 948	0.8	30 752	1.4
Consulting, scientific, technical and similar activities	49 868	2.4	55 830	2.6
Administrative and support services	13 286	0.6	14 689	0.7
Public administration, defence and mandatory social security	16 587	0.8	19 272	0.9
Education	3 203	0.2	3 187	0.1
Healthcare and welfare	5 203	0.2	4 950	0.2
Leisure, cultural and sports activities	8 676	0.4	10 488	0.5
Other service companies	3 210	0.2	3 039	0.1
Other companies [1]	8 140	0.4	379	
Individuals				
Others	31 011	1.5	34 044	1.6
International activity				
Financial and credit institutions	23 462	1.1	21 510	1.0
Non-financial companies	478 756	22.8	464 944	21.4
Individuals	1 404	0.1	1 415	0.1
	2 101 716	**100.0**	**2 168 711**	**100.0**

[1] Companies without CAE Code (Business Activity Classification - Classificação das Actividades Económicas)

The caption “Assets given as collateral” at June 30, 2015 and December 31, 2014 includes:

- 81 770 t. euro and 109 783 t. euro, respectively, relating to credit and 6 150 722 t. euro and 6 759 151 t. euro relating to securities, captive for obtaining funding from the European Central Bank (ECB).
- 5 046 t. euro and 4 977 t. euro, respectively, 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);
- 46 589 t. euro and 47 077 t. euro, respectively, relating to securities given in guarantee to the Deposit Guarantee Fund.
- at June 30, 2015, repos of bonds in the amount of 182 413 t. euro.

Additionally, at June 30, 2015 and December 31, 2014 the caption “Assets given as collateral” includes, respectively, 1 371 703 t. euro and 1 396 632 t. euro of securities and 129 370 t. euro and 124 762 t. euro of credit, given as collateral to the European Investment Bank.

The “Options on assets” caption at June 30, 2015 and December 31, 2014 corresponds to share options issued by the BPI Group under the share-based payments program (RVA).

The “Commitments to third parties - Securities subscription” caption at June 30, 2015 and December 31, 2014 corresponds to Banco BPI’s commitment to subscribe for commercial paper if the securities issued are not totally or partially subscribed for by the market.

The “Term commitment to make annual contributions to the Deposit Guarantee Fund” caption at June 30, 2015 and December 31, 2014 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 June 30, 2015 and December 31, 2014 corresponds to BPI’s irrevocable commitment, legally required under the applicable legislation, to pay the System, if required to do so, its share of the amounts necessary to indemnify investors.

At June 30, 2015 the BPI Group managed the following third party assets:

Investment Funds and PPRs	1 902 242
Pension Funds [1]	2 392 328

[1] Includes the Group companies’ Pension Funds.

4.35. Financial margin (narrow sense)

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Interest and similar income		
Interest on deposits with banks	87	260
Interest on placements with credit institutions	23 776	13 453
Interest on loans to customers	241 701	244 412
Interest on credit in arrears	9 434	4 939
Interest on securities held for trading and available for sale	155 810	161 719
Interest on securitised assets not derecognised	70 641	89 869
Interest on derivatives	97 797	153 377
Interest on debtors and other aplications	898	1 230
Other interest and similar income	1 640	1 947
	601 784	**671 206**
Interest and similar expense		
Interest on resources		
Of central banks	609	4 898
Of other credit institutions	3 312	3 452
Deposits and other resources of customers	155 151	201 455
Debt securities	24 387	36 437
Interest from short selling	346	682
Interest on derivatives	97 451	167 889
Interest on liabilities relating to assets not derecognised on securitised operations	6 662	7 654
Interest on contingent convertible subordinated bonds		26 675
Interest on subordinated debt	644	1 293
Other interest and similar expenses	868	67
	289 430	**450 502**

4.36. Gross margin on unit links

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Income from financial instruments		
Interest	3 763	1 977
Gains and losses on financial instruments	27 865	16 354
Gains and losses on capitalisation insurance - unit links	(31 629)	(18 331)
Management and redemption comission	5 380	1 993
	5 379	**1 993**

4.37. Income from equity instruments

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Conduril	369	553
SIBS	1 086	1 086
Viacer	1 946	1 568
Outros	198	158
	3 599	**3 365**

4.38. Net commission relating to amortized cost

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Commission received relating to amortised cost		
Loans to customers	13 054	13 400
Others	496	523
Commission paid relating to amortised cost		
Loans to customers	(3 047)	(2 861)
Others	(617)	(604)
	9 886	**10 458**

4.39. Technical result of insurance contracts

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Premiums	292 866	638 225
Income from financial instruments	32 026	41 561
Impairment (Note 4.22)	6 677	(2 189)
Cost of claims, net of reinsurance	(516 463)	(151 567)
Changes in technical provisions, net of reinsurance	223 541	(486 733)
Participation in results	(19 246)	(24 417)
	19 401	**14 880**

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:

	Jun. 30, 15	Jun. 30, 14 Proforma
Commissions received		
On guarantees provided	11 601	10 974
On commitments to third parties	1 326	1 388
On insurance brokerage services	20 721	19 481
On banking services rendered	102 585	106 656
On operations realised on behalf of third parties	10 599	9 257
Other	5 857	1 515
	152 689	**149 271**
Commissions paid		
On guarantees received	72	26
On financial instrument operations	44	18
On banking services rendered by third parties	17 984	17 319
On operations realised by third parties	2 468	1 824
Other	247	180
	20 815	**19 367**
Other income, net		
Refund of expenses	17 581	11 968
Income from banking services	10 295	10 229
Charges similar to fees	(4 349)	(5 186)
	23 527	**17 011**

At June 30, 2015 and in 2014 commissions received for insurance brokerage services or reinsurance are made up as follows:

	Jun. 30, 15	Dec. 31, 14
Life insurance		
Housing	10 110	10 007
Consumer	723	743
Others	3 023	3 129
	13 856	**13 879**
Non-life insurance		
Housing	2 624	2 442
Consumer	531	269
Others	3 710	2 891
	6 865	**5 602**
	20 721	**19 481**

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:

	Jun. 30, 15	Jun. 30, 14 Proforma
Gain and loss on operations at fair value		
Foreign exchange gain, net	60 198	56 130
Gain and loss on financial assets held for trading		
Debt instruments	20 778	6 357
Equity instruments	36 799	37 453
Other securities	930	3
Gain and loss on trading derivative instruments	(26 743)	(32 838)
Gain and loss on other financial assets valued at fair value through profit or loss		361
Gain and loss on financial liabilities held for trading	167	(104)
Gain and loss on the revaluation of assets and liabilities hedged by derivatives	(20 097)	51 580
Gain and loss on hedging derivative instruments	20 878	(56 635)
Other gain and loss on financial operations	3 897	10 687
	96 807	**72 994**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to customers	(954)	(4)
Gain and loss on financial assets available for sale		
Debt instruments	(68)	(131 088)
Equity instruments	61	
Others	9	
	(952)	**(131 092)**
Interest and financial gain and loss with pensions		
Interest cost	(15 693)	(21 688)
Expected fund income	15 221	22 522
	(472)	**834**

The caption “Gain and loss on trading derivative instruments” at June 30, 2015 and 2014 includes (1 371) t. euro and (22 515) t. euro, respectively, relating to equity swaps contracted with Customers, which are hedged with shares classified in the caption “Equity Instruments”. At June 30, 2015, this caption also includes (12 123) t. 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 gain and loss on financial operations” at June 30, 2015 and 2014, includes 3 390 t. euro and 14 025 t. euro, respectively, relating to gains on the repurchase of financial liabilities on securitization operations. This caption at June 30, 2014 also includes (3 467) t. 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 June 30, 2014 includes losses amounting to 99 361 t. euro and 28 550 t. euro relating to the sale of Treasury Bonds issued by the Portuguese State and the sale of Italian public debt bonds, respectively.

4.42. Net operating expenses

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Operating income		
Revenue from investment properties	4 088	4 588
Gains on investment properties	5	4 955
Minority interest in the investment fund Imofomento	(542)	(602)
Gain on tangible assets held for sale	1 184	384
Gain on other tangible assets	5 398	4 813
Other operating income	4 011	2 093
	14 144	**16 231**
Operating expenses		
Losses on investment properties	1 546	6 061
Expenses with investment properties	534	519
Subscriptions and donations	2 156	1 972
Contributions to the Deposit Guarantee Fund	674	3 273
Contributions to the Resolution Fund	2 775	2 661
Contribution to the Investor Indemnity System	7	8
Loss on tangible assets held for sale	841	956
Loss on other tangible and intangible assets	5 606	5 819
Other operating expenses	3 158	2 603
	17 297	**23 872**
Other taxes		
Indirect taxes	10 018	7 153
Direct taxes	1 002	658
	11 020	**7 811**

The amounts recorded in the captions “Revenue from investment properties” and “Expenses with investment properties” in the first half of 2015 are made up as follows:

	Income	Expenses
Leasehold real estate	4 088	455
Non-leased real estate		26
	4 088	**481**

“Gains and Losses on investment properties” in the first half of 2014 include 1 226 t euro relating to gain on property sold and (1 417) t. euro relating property revaluation (Note 4.10).

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on the interpretation of the legislation in force, Banco BPI changed its accounting policy for the recognition of the periodic contributions to the Deposit Guarantee Fund and Resolution Fund, as follows:

- Periodic contribution to the Deposit Guarantee Fund – Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Deposit Guarantee Fund is the receipt of the payment notification for that year. Therefore the liability for the annual contribution to the Deposit Guarantee Fund as well as its cost, are now fully recognized upon receipt of the payment notification for the year, usually during the month of April.
- Periodic contribution to the Resolution Fund - Banco BPI believes that the event which gives rise to the obligation to pay the periodic contribution to the Resolution Fund is the fact of being in operation on the last day of April of the year to which the periodic contribution refers, date required for its payment, in accordance with Article 9 of Decree-Law 24/2013 of February 19. Therefore, the liability relating to the periodic contribution to the Resolution Fund, as well as its cost, are now being fully recognized in April of the year to which the contribution refers.

The caption Loss on other tangible and intangible assets at June 30, 2014 includes 1 084 t. euro relating to the closure of branches.

4.43. Personnel costs

This caption is made up as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Remuneration	149 359	138 788
Long service premium	1 701	2 256
Pension costs (Note 4.28)	1 528	2 920
Other mandatory social charges	31 300	31 727
Other personnel costs	5 189	5 595
	189 077	**181 286**

The caption "Remuneration" at June 30, 2015 and 2014 includes the following costs relating to remuneration granted to the members of Banco BPI's Board of Directors:

- 1 882 t. euro and 1 445 t. euro, respectively, relating to remuneration paid in cash; and
- 750 t. euro and 42 t. euro, respectively, relating to prior years' accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption "Pension Fund" at June 30, 2015 and 2014 includes 1 847 t. euro and 2 025 t. 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:

	Jun. 30, 15	Jun. 30, 14 Proforma
Administrative costs		
Supplies		
Water, energy and fuel	6 657	6 575
Consumable material	2 350	2 586
Other	848	498
Services		
Rent and leasing	25 168	24 612
Communications and computer costs	19 176	19 677
Travel, lodging and representation	4 174	4 054
Publicity	10 504	9 243
Maintenance and repairs	10 366	10 886
Insurance	2 438	2 412
Fees	2 575	2 238
Legal expenses	2 990	2 495
Security and cleaning	6 482	5 893
Information services	4 253	2 880
Temporary labour	1 778	1 937
Studies, consultancy and auditing	3 992	3 685
SIBS	11 070	10 062
Other services	12 241	11 267
	127 062	**121 000**

4.45 Income tax

At June 30, 2015 and 2014 Proforma, 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:

	Jun. 30, 15	Jun. 30, 14 Proforma
Current income tax		
For the period	25 703	18 755
Correction of prior years	1 156	(300)
	26 859	**18 455**
Deferred tax		
Recognition and reversal of temporary differences	(23 973)	(6 419)
On tax losses carried forward	16 055	(38 859)
	(7 918)	**(45 278)**
Contribution over the banking sector	**6 600**	**8 244**
Total tax charged to the statement of income	**25 541**	**(18 580)**
Net income before income tax [1]	158 437	(89 617)
Tax burden	16.1%	20.7%

[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).

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. As a result of the entry into force of IFRIC 21, and based on interpretation of the current legislation, Banco BPI changed its accounting policy for the recognition of the extraordinary contribution over the banking sector as it believes that the event that creates the obligation to pay the extraordinary contribution over the banking sector is the activity carried out in the year preceding its payment, which occurs in June of the following year. Thus, the corresponding liability related with the extraordinary contribution over the banking sector as well as its cost, have been recognized on a straight-line basis over the year preceding its payment.

In the first half of 2015 and 2014 Proforma, Banco BPI recorded directly in retained earnings, income tax of 30 138 t. euro and 6 091 t. 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 4.32).

Reconciliation between the nominal rate of income tax and the tax burden at June 30, 2015 and 2014 Proforma, as well as between the tax cost/income and the product of the accounting profit times the nominal tax rate are as follows:

	Jun. 30, 15		Jun. 30, 14 Proforma	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		158 437		(89 617)
Income tax computed based on the nominal tax rate	30.3%	48 081	8.0%	(7 191)
Effect of tax rates applicable to foreign branches	-0.3%	(476)	0.0%	19
Capital gain and impairment of investments (net)	0.9%	1 406	0.0%	(29)
Capital gain of tangible assets (net)	-0.4%	(662)	0.2%	(219)
Income on Angolan public debt	-21.6%	(34 185)	33.1%	(29 647)
Non taxable dividends	-1.1%	(1 786)	1.7%	(1 488)
Tax on dividends of subsidiary and associated companies	2.0%	3 129	-3.1%	2 792
Conversion of shareholders' equity of associated companies			0.1%	(116)
Tax benefits	-0.3%	(473)	0.5%	(432)
Impairment and provision for loans	0.5%	795	0.2%	(154)
Non tax deductible pension costs	0.2%	358	-0.4%	355
Interest recognised on minority interests	0.0%	(5)	0.2%	(163)
Correction of prior year taxes	0.7%	1 156	0.1%	(120)
Non tax deductible uncollectible loans	0.8%	1 319		
Extraordinary investment tax credit	-0.1%	(113)	0.3%	(252)
Difference between the current income tax rate and the deferred tax rate [1]	0.0%	66	-1.1%	941
Correction of prior years taxes	-0.5%	(738)		
Tax losses not expected to be used			-8.4%	7 500
Tax losses	-0.1%	(157)		
Contribution over the banking sector	4.2%	6 600	-9.2%	8 244
Autonomous taxation	0.7%	1 103	-1.1%	1 022
Other non taxable income and expenses	0.1%	123	-0.4%	358
	16.1%	**25 541**	**20.7%**	**(18 580)**

[1] The calculation of deferred taxes on tax losses is based on the tax rate of 21% (23% in December 31, 2013) and not on the nominal tax rate (which includes State and Municipal surcharge).

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

	Jun. 30, 15		Jun. 30, 14 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% ; 8.5%[and consolidation adjustments	2 947	81.0%	(201 010)	22.0%
Companies with income tax rate of 30% (Angola)	152 314	30.0%	105 825	35.0%
Investment funds[1]	3 176		5 568	
	158 437	30.3%	(89 617)	8.0%

[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 June 30, 2015 and 2014 Proforma are as follows:

	Jun. 30, 15	Dec. 31, 14 Proforma
Deferred tax		
Assets (Note 4.14)	392 977	411 833
Liabilities (Note 4.24)	(21 580)	(30 028)
	371 397	381 805
Recorded by corresponding entry to:		
Retained earnings	278 557	287 314
Other reserves - Actuarial deviations	72 575	77 063
Fair value reserve (Note 4.31)		
Financial instruments available for sale	12 347	16 402
Net income	7 918	1 026
	371 397	381 805

Deferred tax assets are recognized up to the amount expected to be realized through future taxable profits.

The changes in deferred taxes in the first half of 2015 were as follows:

	Balance at Dec. 31, 14 Proforma	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 15
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	(1 869)	(4)	25			(1 848)
Early retirements	29 287	(3 072)				26 215
Banco BPI Cayman net income	213					213
Taxed provisions and impairment	147 423	(1 236)	9 301			155 488
Long service premium	8 235	(1)	354			8 588
Tax losses	102 833	(16 238)	183		(62)	86 716
Investment tax credit	952		113			1 065
Financial instruments available for sale	18 629	(9)	17	228	(4 564)	14 301
Actuarial deviations	61 420	(4 387)				57 033
Actuarial deviations after 2011	15 643	15 275	32		(15 408)	15 542
Tax deferral of the impact of the transfer of pensions	22 748	(758)				21 990
Others	6 319	(79)	353	1 092	(11)	7 674
	411 833	(10 509)	10 378	1 320	(20 045)	392 977
Deferred tax liabilities						
Revaluation of tangible fixed assets	(642)		60			(582)
Revaluation of assets and liabilities hedged by derivatives	(991)	(644)				(1 635)
Dividends to be distributed by subsidiary and associated companies	(10 446)	(3 128)	6 446	32	180	(6 916)
RVA's			94		(94)	
Financial instruments available for sale	(6 506)	(26)		3 082	(8)	(3 458)
Repurchase of liabilities and preference shares	(9 906)		5 216		(2 894)	(7 584)
Reversal of gains in the consolidated accounts	(1 534)	(100)	131	100		(1 403)
Others	(3)				1	(2)
	(30 028)	(3 898)	11 947	3 214	(2 815)	(21 580)
	381 805	**(14 407)**	**22 325**	**4 534**	**(22 860)**	**371 397**

The changes in deferred taxes in the first half of 2014 Proforma are as follows:

	Balance at Dec. 31, 13 Proforma	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at Jun. 30, 14 Proforma
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	1 647	(1 823)				(176)
Early retirements	30 455	(2 981)				27 474
Banco BPI Cayman net income	229					229
Taxed provisions and impairment	147 706	(852)	3 687			150 541
Long service premium	7 401		568			7 969
Tax losses	86 887	(2 567)	41 426			125 746
Investment tax credit	700		252			952
Financial instruments available for sale	137 139	(248)	856	5 110	(109 611)	33 246
Actuarial deviations	75 318	(4 707)				70 611
Actuarial deviations after 2011			6 711		(6 711)	
Public Exchange Offer			797	449	(1 247)	
Tax deferral of the impact of the transfer of pensions	26 044	(813)				25 231
Others	3 930	(53)	531	26		4 434
	517 455	(14 044)	54 828	5 585	(117 569)	446 256
Deferred tax liabilities						
Revaluation of tangible fixed assets	(696)		34			(662)
Revaluation of assets and liabilities hedged by derivatives	(170)	(149)				(319)
Subsidiary's equity conversion	(211)	116				(95)
Dividends to be distributed by subsidiary and associated companies	(7 736)	(2 773)	4 624	14		(5 871)
RVA's		(1 195)		1 195		
Financial instruments available for sale	(6 372)			190	(2 574)	(8 756)
Repurchase of liabilities and preference shares	(20 066)		2 983	3 514	(2 848)	(16 417)
Reversal of gains in the consolidated accounts	(2 723)		392			(2 331)
Others	(2)	(110)	572	109	(574)	(5)
	(37 977)	(4 111)	8 605	5 022	(5 996)	(34 457)
	479 478	**(18 155)**	**63 433**	**10 607**	**(123 565)**	**411 799**

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:

	Jun. 30, 15	Jun. 30, 14 Proforma
Banco Comercial e de Investimentos, S.A.R.L.	4 008	3 676
Companhia de Seguros Allianz Portugal, S.A.	4 914	4 900
Cosec – Companhia de Seguros de Crédito, S.A.	2 067	1 813
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.		(277)
InterRisco - Sociedade de Capital de Risco, S.A.	(161)	46
Unicre - Instituição Financeira de Crédito, S.A.	1 909	1 227
	12 737	**11 385**

Contribution of the associated companies of Banco BPI to the consolidated comprehensive income is as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Contribution to consolidated net income	12 737	11 385
Income not included in the consolidated statement of income	(5 709)	11 633
Contribution to consolidated comprehensive income	**7 028**	**23 018**

4.47. Consolidated net income of the BPI Group

Contribution of Banco BPI and subsidiary and associated companies to consolidated net income in the first half of 2015 and 2014 is as follows:

	Jun. 30, 15	Jun. 30, 14 Proforma
Banks		
Banco BPI, S.A.[1]	(15 981)	(191 771)
Banco Português de Investimento, S.A.[1]	(447)	2 048
Banco de Fomento Angola, S.A.[1]	66 922	46 756
Banco Comercial e de Investimentos, S.A.R.L.[1]	3 667	3 364
Banco BPI Cayman, Ltd	3 164	1 248
Asset management and brokerage		
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	3 048	3 788
BPI - Global Investment Fund Management Company, S.A.	968	672
BPI (Suisse), S.A.[1]	1 808	2 058
BPI Alternative Fund: Iberian Equities Long/Short Fund Luxemburgo [1]	1 838	2 718
BPI Obrigações Mundiais - Fundo de Investimento Aberto de Obrigações [1]	48	226
Imofomento - Fundo de Investimento Imobiliário Aberto [1]	590	401
BPI Strategies, Ltd[1]	674	360
Venture capital / development		
BPI Private Equity - Sociedade de Capital de Risco, S.A.[1]	435	531
Inter-Risco - Sociedade de Capital de Risco, S.A.	(161)	46
Insurance		
BPI Vida e Pensões - Companhia de Seguros, S.A.[1]	9 948	11 340
Cosec - Companhia de Seguros de Crédito, S.A.	2 067	1 813
Companhia de Seguros Allianz Portugal, S.A.	4 914	4 900
Others		
BPI, Inc	(3)	(187)
BPI Locação de Equipamentos, Lda	(5)	(3)
BPI Madeira, SGPS, Unipessoal, S.A.[1]	(296)	(8)
BPI Moçambique - Sociedade de Investimento, S.A. [1]	(322)	155
BPI Capital Finance		
BPI Capital Africa [1]	(698)	(736)
Finangeste - Empresa Financeira de Gestão e Desenvolvimento, S.A.[1 2]		(277)
Unicre - Instituição Financeira de Crédito, S.A.[1]	(6 000)	1 227
	76 178	**(109 331)**

[1]Adjusted net income.

[2]At December 31, 2014 the participation in Finangeste was reclassified to the caption Non-current assets held for sale and was sold in the first half of 2015 (note 4.9).

4.48. Personnel

The average and period-end number of employees[1] in the first half of 2015 and 2014 were as follows:

	Jun. 30, 15		Jun. 30, 14 Proforma	
	Average for the period	End of period	Average for the period	End of period
Executive directors2	9	9	10	9
Management staff	630	636	611	615
Other staff	5 327	5 337	5 435	5 431
Other employees	2 669	2 667	2 783	2 702
	8 635	**8 649**	**8 839**	**8 757**

[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 June 30, 2015 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	72.84%	141.64%
Euribor 3 months	35.52%	344.32%
Euribor 6 months	44.93%	108.28%
Euribor 12 months	55.67%	143.26%
Exchange EUR/USD	10.10%	19.00%

Valuation of the non-optional components is made based on discounted cash flows, using methodology similar to that used for derivatives without an optional component.

(ii) For the more exotic options or complex derivatives incorporating optional elements (for which there are no Black Scholes models available) the Bank contracted a specialized entity that performs the valuation based on specific models, constructed using criteria and methodologies generally accepted for this type of operations. At June 30, 2015 the values of the inputs not observable in the market (implicit volatility of the underlying assets) are included in the following categories, by type of underlying asset:

Implicit volatility

Underlying type	Min	Max
Shares/indexes	4.96%	35.21%
Commodities	16.09%	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.

The Bank includes counterparty credit risk and own credit risk in the calculation of the book value of derivative financial instruments contracted in the over-the-counter market. This methodology includes the following main items:

- derivative financial instruments contracted with counterparties with which the Bank has collateralization agreements are not subject to adjustment for credit risk, to the extent that it is mitigated;

- counterparty credit risk and own credit risk adjustments relating to derivative financial instruments not collateralized are estimated using mainly historical information regarding non-performance, except for operations in which the Bank considers that the credit risk of the counterparty is comparable to the risk of the Portuguese Republic. In these cases, the adjustments for credit risk are estimated based on risk parameters implicit in the spread of Portuguese public debt against the German public debt.

At June 30, 2015 and December 31, 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.

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

In determining the fair value of investment properties two of the following valuation methods should be used:

- comparative market method
  The estimated value of a property is made by comparison with real estate transactions of similar properties, both as regards location and physical condition. This method should only be used if:
    - there are a significant number of sales transactions in the market in question,
    - the traded property and sales conditions are comparable,
    - the information regarding the transactions is recent, and
    - there are no external factors affecting the transactions.

- Income method
  The estimated value of a property is calculated based on the amount from future income that it generates or may generate, applying a capitalization rate that reflects the expected return on the capital invested.

- Cost method
  The estimated value of a property corresponds to the cost of construction of a property that has the same functions as the property being valued.

The most significant variables considered in each of the methodologies 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 June 30, 2015 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).

The main inputs used in the calculation of the market value were (potential reference values):

Region	Type of property	Net potential yield	Gross construction area	Gross leasable area	Parking facilities
Lisboa - Avenida da Liberdade	Office / services	7.00%	13.6	17.0	150
Lisboa - Rua Soeiro Pereira Gomes	Office / services	7.00%	9.8	12.3	125
Lisboa - Avenida António Augusto de Aguiar	Office / services	7.00%	12.0	15.0	150
Lisboa - Algés / Miraflores	Office / services	7.75%	6.4	8.0	80
Lisboa - Oeiras	Office / services	7.50%	10.0	12.5	85
Lisboa - Telheiras	Store / retail	7.25%	15.5	15.5	
Lisboa - Centro Comercial Vasco da Gama	Store / retail	6.00%	15.0	15.0	
Lisboa - Alverca	Warehouses / logistics	8.00%	4.5	4.5	
Porto - Bom Sucesso	Office / services	8.00%	9.2	11.5	85
Porto - Estádio do Bessa	Store / retail	7.00%	10.5	10.5	75

Financial instruments recorded in the balance sheet at amortized cost

The fair value of financial instruments recorded in the balance sheet at amortized cost is determined by the BPI Group through valuation techniques.

Fair value may not correspond to the realizable value of these financial instruments in a sale or liquidation scenario, having not been determined for that purpose.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Loans and advances to credit institutions and Resources of other credit institutions were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issuances.

- in operations with customers (Loans to costumers 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 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 reference rates used to calculate the discount factors at June 30, 2015 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	-0.06%	-0.01%	0.05%	0.16%	0.12%	0.23%	0.50%	0.81%	1.17%	1.71%
GBP	0.51%	0.58%	0.74%	1.05%	1.11%	1.37%	1.72%	1.95%	2.16%	2.36%
USD	0.19%	0.28%	0.44%	0.77%	0.90%	1.23%	1.76%	2.11%	2.43%	2.90%
JPY	0.07%	0.10%	0.13%	0.24%	0.15%	0.18%	3.43%	3.67%	3.91%	4.14%

	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
Portguese Public Debt	0.08%	0.08%	0.73%	1.33%	1.68%	2.06%	2.35%	2.65%	2.78%	3.00%
German Public Debt	-0.24%	-0.23%	-0.20%	-0.08%	0.08%	0.17%	0.31%	0.48%	0.61%	0.76%
Spread PT/DE	0.32%	0.31%	0.93%	1.41%	1.60%	1.88%	2.04%	2.17%	2.17%	2.24%

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 June 30, 2015 is made up as follows:

Type of financial instrument	Net book value	Fair value of financial instruments: Recorded in the balance sheet at fair value	Fair value of financial instruments: Recorded in the balance sheet at amortised cost	Fair value of financial instruments: Total	Difference	Assets valued at historical cost [1]	Total book value
Assets							
Cash and deposits at Central Banks	2 012 836		2 012 836	2 012 836			2 012 836
Deposits at other credit institutions	551 644		551 644	551 644			551 644
Financial assets held for trading and at fair value through profit or loss	3 243 051	3 243 051		3 243 051			3 243 051
Financial assets available for sale	7 346 122	7 346 122		7 346 122		6 162	7 352 284
Loans and advances to credit institutions	1 913 493		1 914 333 [3]	1 914 333	840		1 913 493
Loans and advances to customers	24 297 109		22 192 557 [4]	22 192 557	(2 104 552)		24 297 109
Held to maturity investments	22 394		21 427 [3]	21 427	(967)		22 394
Trading derivatives [2]	270 107	270 107		270 107			270 107
Hedging derivatives	109 121	109 121		109 121			109 121
Investment properties	154 777	154 777		154 777			154 777
	39 920 654	11 123 178	26 692 797	37 815 975	(2 104 679)	6 162	39 926 816
Liabilities							
Resources of central banks	1 520 137		1 521 516	1 521 516	(1 379)		1 520 137
Financial Liabilities held for trading	12 552	12 552		12 552			12 552
Resources of other credit institutions	1 388 325		1 292 535 [3]	1 292 535	95 790		1 388 325
Resources of customers and other debts	28 255 454		28 243 307 [5]	28 243 307	12 147		28 255 454
Debt securities	1 227 358		1 189 066 [3]	1 189 066	38 292		1 227 358
Financial liabilities relating to transferred assets	956 058		818 381 [4]	818 381	137 677		956 058
Trading derivatives	319 673	319 673		319 673			319 673
Hedging derivatives	237 482	237 482		237 482			237 482
Technical provisions	3 961 996		3 961 996 [3]	3 961 996			3 961 996
Other subordinated debt and participating bonds	69 516		68 114 [3]	68 114	1 402		69 516
	37 948 551	569 707	37 094 915	37 664 622	283 929		37 948 551
	1 972 103			151 353	(1 820 750)	6 162	1 978 265
Valuation differences in financial assets recognised in revaluation reserves					(22 743)		
Total					(1 843 493)		

[1] Unlisted securities for which it was not possible to determine fair value on a reliable basis.

[2] This caption is presented in the balance sheet as Financial assets held for trading and at fair value through profit or loss.

[3] Financial instruments recognized in the balance sheet at amortized cost classified as Level 2, in accordance with the fair value hierarchy established in IFRS 13.

[4] Financial instruments recognized in the balance sheet at amortized cost classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

[5] Demand deposits valued at their nominal amount. Term deposits and other resources not payable on demand classified as Level 3, in accordance with the fair value hierarchy established in IFRS 13.

The fair value of financial instruments and investment properties at December 31, 2014 Proforma 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 negotiation	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		136 931
	39 229 403	654 004	38 450 599	39 104 603	124 800		39 296 813
	1 832 337			(350 715)	(2 183 052)	6 087	1 771 014
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 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 June 30, 2015, is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques: Market data (Level 2)	Valuation techniques: Models (Level 3)	Total fair value
Assets				
Financial assets held for trading and at fair value through profit or loss	2 832 278	26 147	384 626	3 243 051
Financial assets available for sale	3 881 356	50 976	3 413 790	7 346 122
Trading derivatives	580	44 883	224 644	270 107
Hedging derivatives	24	73 149	35 948	109 121
Investment Properties			154 777	154 777
	6 714 238	195 155	4 213 785	11 123 178
Liabilities				
Financial liabilities held for negotiation	12 552			12 552
Trading derivatives	233	273 955	45 485	319 673
Hedging derivatives	82	233 468	3 932	237 482
	12 867	507 423	49 417	569 707

The book value of the financial instruments and investment properties recorded in the balance sheet at fair value at December 31, 2014, Proforma is made up as follows by valuation methodologies:

Type of financial instrument	Active market listings (Level 1)	Valuation techniques: Market data (Level 2)	Valuation techniques: Models (Level 3)	Total fair value
Assets				
Financial assets held for trading and at fair value through profit or loss	2 434 377	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 negotiation	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

In the first half of 2015 and in 2014 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	
	Jun. 30, 15	Dec. 31, 14
BANCO SA BADELL-5.234%-PERPETUA		34
CONTINENTE-7%-25.07.2015		223
MOTA-ENGIL-6.85%-2013/2016		286
MOTA ENGIL SGPS SA-5.5%-22.04.2019	10	
SEMAPA - 2006/2016	1 350	
SEMAPA - TV (20.04.2016)	9 548	
SEMAPA 2014/2020	101	
SONAE INVESTMENTS BV-1.625%-11.06.2019	1 099	
	12 108	544

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
	Dec. 31, 14
SEMAPA-6.85%-30.03.2015	935
ZON MULTIMEDIA 2012-2015	209
BLUEWATER HOLDINGS BV-10%-10.12.2019	219
SEADRILL LTD-TX VR.-12.03.2018	120
	1 484

At June 30, 2015 and December 31, 2014 financial assets held for trading and at fair value through profit or loss included in Level 3 correspond essentially to Angolan public debt. They also include bonds valued through indicative bid prices based on theoretical models or through models developed internally.

At June 30, 2015 and December 31, 2014 financial assets available for sale included in Level 3 correspond essentially to Angolan public debt securities. They also include bonds collateralized by assets (ABS's) and private equity investments.

At June 30, 2015 and December 31, 2014 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 December 31, 2014 and June 30, 2015 in assets and liabilities classified in Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Investment properties	Total
Net book value at December 31, 2014 Proforma	255 701	2 974 106	213 755	21 988	154 777	3 620 327
Accrued interest (amount at December 31, 2014)	(24)	(650)	(16 867)	15 537		(2 004)
Gain / (loss) recognized in net income						
In net income on financial operations	1 965	(17)	(55 358)	(5 493)		(58 903)
Potential gain / (loss)	271	(26)	(30 033)	(5 493)		(35 281)
Effective gain / (loss)	1 694	9	(25 325)			(23 622)
Operational gains and losses						
In impairment loss		(3 398)				(3 398)
Gain / (loss) recognized in revaluation reserves		(1 398)				(1 398)
Purchases	142 749	448 118				590 867
Sales / redemptions	(15 429)	(3 632)	25 324			6 263
Transfers out	(364)					(364)
Transfers in		11				11
Accrued interest (amount at June 30, 2015)	28	650	12 305	(16)		12 967
Net book value at June 30, 2015	384 626	3 413 790	179 159	32 016	154 777	4 009 591

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.

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 December 31, 2013 and December 31, 2014 in assets and liabilities classified in Level 3, are as follows:

Financial assets and liabilities	Held for trading and at fair value through profit or loss	Available for sale	Trading derivatives (net)	Hedging derivatives (net)	Investment properties	Total
Net book value at December 31, 2013 Proforma	180 526	2 600 768	138 165	21 852	164 949	3 106 260
Accrued interest (amount at December 31, 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
Potential gain / (loss)	417		70 770	9 886		81 073
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 December 31, 2014)	24	650	16 867	(15 537)		2 004
Net book value at December 31, 2014 Proforma	255 701	2 974 106	213 755	21 988	154 777	3 620 327

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 t. 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 t. euro transferred from level 2, due to the fact that there are no longer consistent market data for their valuation, and (iii) 1 757 t. 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.

Derecognition of financial instruments

In the first half of 2015 and in 2014 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:

	Jun. 30, 15			Dec. 31, 14			
	Book value on reclassification date	Book value at Jun. 30, 15	Fair value at Jun. 30, 15	Book value on reclassification date	Book value at Dec. 31, 14	Fair value at Dec. 31, 14	Effective interest rate on reclassification date
Reclassification of bonds in 2008							
Financial assets held for trading	(32 343)			(53 730)			
Loans represented by securities	15 630	11 739	9 418	31 804	21 129	19 005	6.37%
Held to maturity investments	16 714	18 295	17 488	21 926	23 783	22 362	6.29%
Reclassification of bonds in 2009							
Financial assets held for trading	(2 880)			(3 237)			
Loans represented by securities	183	240	301	201	255	329	5.34%
Held to maturity investments	2 696	4 099	3 971	3 036	4 594	4 384	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	7 648	7 699	7 668	7 616	2.78%
Reclassification of bonds in 2013							
Financial assets available for sale	(4 093)			(4 093)			
Loans represented by securities	4 093	4 845	3 700	4 093	4 450	3 410	1.94%
		46 886	42 526		61 879	57 106	

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 the first half of 2015 and in 2014 and other gain / (loss) recognized in reserves and in the statement of income for these years for securities reclassified from financial assets held for trading, were as follows:

	Jun. 30, 15			Dec. 31, 14		
	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
Loans represented by securities	785		(1 258)	(64)		(9 371)
Held-to-maturity investments	677		145	3 197		210
	1 462		(1 112)	3 133		(9 161)

The amounts of gain / (loss) relating to fair value changes not recognized in the statement of income correspond to gain / (loss) that would affect net income if the bonds had remained in the "Financial assets held for trading" portfolio. Part of these amounts would be offset by opposite results under the caption "Technical Provisions", namely in the case of gain / (loss) on securities allocated to insurance portfolios with profit participation.

The amounts presented in other gain / (loss) recognized in the statement of income include interest, premiums / discounts and other expenses. The amounts presented in other gain / (loss) recognized in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors' Report, presented together with the notes to Banco BPI's financial statements, also includes a section relating to "Risk management", which contains additional information about the nature and extent of the BPI Group's financial risks.

Exposure to sovereign debt

The BPI Group's exposure to the debt of countries that have requested financial support from the European Union, the European Central Bank and the International Monetary Fund at June 30, 2015, 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	**41 219**	**41 651**	**(16)**		
Portugal	41 219	41 651	(16)		
Available for sale	**2 922 634**	**3 020 129**	**76 445**	**(95 714)**	
Portugal	2 922 634	3 020 129	76 445	(95 714)	
Total exposure	**2 963 853**	**3 061 780**	**76 430**	**(95 714)**	

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. The BPI Group considers that at June 30, 2015 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 t. euro.

At June 30, 2015 the BPI Group had no exposure to Greek sovereign debt. The BPI Group has in the financial assets available for sale portfolio, OTE PLC bonds (Hellenic Telecommunications Organization), the leading telecom operator in Greece, in the amount of 23 527 t. euro and KION MORTGAGE Class A bonds (securitization of mortgage loans originated by the Greek Millennium bank) in the amount of 54 t. 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 June 30, 2015 is as follows, by residual period to maturity:

Maturity	2015	2016 a 2020	> 2021	Total
Portugal	1 184 417	1 877 227	136	3 061 780
	1 184 417	**1 877 227**	**136**	**3 061 780**

The ratings of Portugal and Greece are the following:

	Jun. 30, 15			Dec. 31, 14		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Portugal	BBu	Ba1	BB+	BB	Ba1	BB+
Greece	CCC-	Caa2	C	B	Caa1	B

In addition, at June 30, 2015, 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	**44 347**	**48 108**	**48 108**	
Portugal	44 347	48 108	48 108	
Loans and other receivables	**100 000**	**100 778**	**99 993**	
Portugal	100 000	100 778	99 993	
Total exposure	**144 347**	**148 886**	**148 101**	

Exposure of the insurance capitalization portfolios of BPI Vida e Pensões to the sovereign debt of Portugal and Greece, at June 30, 2015 is made up as follows, by residual period of maturity:

Maturity	**2015**	**2016 a 2020**	**> 2021**	**Total**
Portugal	53 798	94 768	320	148 886
	53 798	**94 768**	**320**	**148 886**

Credit risk

Maximum exposure to credit risk

Credit risk is one of the most significant risks of the BPI Group's operations. More information about this risk, particularly about the management process for the various segments of credit, can be found in the section "Risk Management" in the Directors' Report.

Maximum exposure to credit risk at June 30, 2015, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Deposits at other credit institutions	551 644		551 644
Financial assets held for trading and at fair value through profit or loss	3 243 052		3 243 052
Financial assets available for sale	7 466 124	(113 840)	7 352 284
Loans and advances to credit institutions	1 913 493		1 913 493
Loans and advances to customers	25 289 208	(992 099)	24 297 109
Held to maturity investments	22 394		22 394
Derivatives			
Hedging derivatives	109 121		109 121
Trading derivatives[1]	270 106		270 106
	38 865 142	(1 105 939)	37 759 203
Off balance sheet items			
Guarantees given	1 723 839	(42 268)	1 681 571
Irrevocable credit lines	1 152	(1 083)	69
	1 724 991	(43 351)	1 681 640
	40 590 133	(1 149 290)	39 440 843

[1] This caption is presented in the balance sheet as financial assets held for trading and at fair value through profit or loss.

Maximum exposure to credit risk at December 31, 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.

Breakdown of overdue loans

Overdue loans and interest at June 30, 2015, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
Loans and advances to customers						
Subject to individual assessment						
Overdue loans and interest	35	10 989	73 654	401 750	62 622	549 050
Impairment	(18)	(3 430)	(30 180)	(251 629)	(39 792)	(325 049)
	17	7 559	43 474	150 121	22 830	224 001
Subject to collective assessment						
Overdue loans and interest		5 735	36 403	283 793	105 602	431 533
Impairment		(1 747)	(15 480)	(138 049)	(65 295)	(220 571)
		3 988	20 923	145 744	40 307	210 962

In addition, at June 30, 2015 collective impairment of 446 479 t. euro was recognized on performing loans to customers and loans and advances to credit institutions.

Overdue loans and interest at December 31, 2014, by non performing classes, are as follows:

	Non performing classes					
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	Total
Loans and advances to customers						
Subject to individual assessment						
Overdue loans and interest	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 December 31, 2014, collective impairment of 445 311 t. euro was recognized on performing loans to customers and loans and advances to credit institutions.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- Housing mortgages;
- Mortgage of buildings and land;
- Deposit of assets;
- Pledge of securities;
- Guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI's units using methods considered appropriate.

The coverage of overdue loans by collateral received at June 30, 2015 was as follows:

Coverage	Loans with default			Collateral [1]		Impairment [3]
	Performing amount associated with defaulting loans	Overdue	Total	Mortgages	Other Collateral [2]	
>=100%	119 966	162 285	282 251	278 616	3 635	95 967
>=75% and <100%	72 392	147 525	219 917	190 039	7 563	80 179
>=50% and <75%	1 832	58 496	60 328	39 255	349	28 971
>=25% and <50%	1 203	20 177	21 380	7 447	1 521	14 493
>=0 and <25%	64 096	14 160	78 256	680	3 895	40 095
Without collateral	147 177	577 940	725 117			451 177
Total	**406 666**	**980 583**	**1 387 249**	**516 037**	**16 963**	**710 882**

[1] The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at June 30, 2015.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The amount of impairment shown includes 165 262 t. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at June 30, 2015 was as follows:

Loans with impairment		Collateral [1]		Impairment [3]
Coverage	Performing loans	Mortgages	Other collateral [2]	
Loans not represented by securities				
>=100%	128 124	116 129	11 995	15 773
>=75% and <100%	38 091	32 365	2 299	26 156
>=50% and <75%	13 915	6 235	1 716	1 186
>=25% and <50%	4 076	411	1 334	1 115
>=0 and <25%	70 885	369	3 969	11 402
Without collateral	337 908			87 340
	592 999	155 509	21 313	142 972
Loans represented by securities				
Without collateral	45 314			13 862
Guarantees provided				
>=100%	16 138	12 114	4 024	1 120
>=50% and <75%	3 047	1 633	34	1 487
>=25% and <50%	2 731	921		443
>=0 and <25%	63	11		2
Without collateral	125 364			22 446
	147 343	14 679	4 058	25 498
	785 656	**170 188**	**25 371**	**182 332**

[1] The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at June 30, 2015.

[2] Other collateral includes pledged deposits and securities.

[3] For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

At June 30, 2015 the fair value of the underlying collateral of the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Fair value of the collateral	Corporate				Construction and CRE				Housing			
	Properties		Other 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€	706	118 666	1 780	95 098	1 570	191 661	3 643	58 644	146 354	19 314 957	2 919	84 515
≥ 0.5 M€ and < 1 M€	165	116 355	70	47 397	107	74 674	15	9 098	707	443 382	7	4 161
≥ 1 M€ and < 5 M€	257	544 357	85	183 435	72	135 433	9	15 486	62	82 259		
≥ 5 M€ and < 10 M€	43	302 257	13	92 096	3	15 771	1	5 150				
≥ 10 M€ and < 20 M€	20	262 736	3	45 616	3	40 067						
≥ 20 M€ and < 50 M€	6	158 617	5	125 854	1	20 950						
≥ 50 M€	1	62 873	1	76 586	4	367 842						
Total	**1 198**	**1 565 861**	**1 957**	**666 082**	**1 760**	**846 398**	**3 668**	**88 378**	**147 123**	**19 840 598**	**2 926**	**88 676**

[1] Includes financial collateral (shares, bonds, deposits) and other assets.

At December 31, 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		Properties		Imóveis		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	0	0	0	0
≥ 10 M€ and < 20 M€	20	263 863	11	155 812	1	11 356	0	0	0	0	0	0
≥ 20 M€ and < 50 M€	7	178 508	16	388 979	2	42 691	0	0	0	0	0	0
≥ 50 M€	1	62 873	1	59 000	4	397 842	0	0	0	0	0	0
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 June 30, 2015 the loan-to-value ratio (LTV) for the domestic Corporate, Construction and CRE and Housing portfolio was as follows:

Segment / Loan-to-value ratio	Number of properties	Without signs of impairment	With signs of impairment	Default	Impairment
Corporate					
Without associated collateral		3 399 133	266 392	224 720	248 016
< 60%	823	300 299	30 798	36 582	30 081
≥ 60% and <80%	106	95 537	20 946	17 064	7 505
≥ 80% and <100%	95	81 297	2 099	3 184	2 469
≥ 100%	174	1 115 141	192 436	60 662	82 383
Construction and CRE					
Without associated collateral		236 464	19 118	58 352	50 031
< 60%	1 259	79 413	33 177	61 366	39 267
≥ 60% and <80%	192	28 726	6 077	56 602	27 642
≥ 80% and <100%	105	28 992	758	11 550	4 489
≥ 100%	204	22 959	7 887	28 641	18 795
Housing					
Without associated collateral		9 425	213	15 655	13 166
< 60%	72 872	3 399 683	52 494	52 137	24 435
≥ 60% and <80%	31 311	2 782 148	53 354	69 604	38 456
≥ 80% and <100%	30 426	3 126 514	69 488	125 706	67 532
≥ 100%	12 514	1 183 290	39 782	225 423	98 677
	150 081	15 889 022	795 018	1 047 248	752 945

At December 31, 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	0	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	0	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	0	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 December 31, 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 shown is the lower of the fair value of the collateral received and the amount owed at December 31, 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 value of impairment shown includes 161 192 t. euro relating to performing loans associated with defaulting loans.

The coverage of performing loans on which impairment was determined on an individual basis at December 31, 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 December 31, 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.

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 June 30, 2015 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	448 588		448 588
		A+ to A-	535 865		535 865
		BBB+ to BBB-	643 805		643 805
		BB+ to BB-	600 740		600 740
		B+ to B-	44 609	2	44 607
		< B-	19		19
	N/D	N/D	6		6
			2 273 632	2	2 273 630

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to costumers, by ratings, at June 30, 2015 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	External rating	AAA to AA-	16 197		16 197
		A+ to A-	181 578	1 249	180 329
		BBB+ to BBB-	445 871		445 871
		BB+ to BB-	1 320 590	18	1 320 572
		B+ to B-	97 073		97 073
		< B-	11 801		11 801
	Project Finance rating	Strong	125 623	651	124 972
		Good	932 932	6 538	926 394
		Satisfactory	320 587	5 545	315 042
		Weak	163 365	10 434	152 931
		Default	234 489	109 513	124 976
	Internal Rating	E01 to E03	494 812	2 367	492 445
		E04 to E06	2 277 704	10 306	2 267 398
		E07 to E10	1 190 990	34 247	1 156 743
		ED1 to ED3	559 652	294 401	265 251
	Entrepreneurs and Business Rating	N01 to N03	35 190	271	34 919
		N04 to N06	410 467	3 042	407 425
		N07 to N10	661 549	14 299	647 250
		ND1 to ND3	176 695	96 009	80 686
	Scoring	01 to 03	7 657 240	12 259	7 644 981
		04 to 06	2 535 942	10 552	2 525 390
		07 to 10	1 119 863	23 698	1 096 165
		D01 to D03	681 648	230 860	450 788
	N/D	N/D	3 547 716	125 840	3 421 876
			25 199 574	992 099	24 207 475

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at June 30, 2015 was as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	161 336		161 336
		A+ to A-	84 109		84 109
		BBB+ to BBB-	2 064 625	29	2 064 596
		BB+ to BB-	6 764 459	323	6 764 136
		B+ to B-	114 627		114 627
		< B-	3 469		3 469
	N/D	N/D	1 538 912	113 488	1 425 424
			10 731 537	113 840	10 617 697

Deposits and loans and advances to credit institutions, by ratings, at December 31, 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
	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 costumers, by ratings, at December 31, 2014 were as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	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 value corrections.

The Securities portfolio, by ratings, at December 31, 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

Restructured loans

At June 30, 2015 and December 31, 2014 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 June 30, 2015 and December 31, 2014:

	Jun. 30, 15				Dec. 31, 14			
	Loans			Impairment	Loans			Impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Companies	828 510	206 652	1 035 162	245 606	923 058	269 609	1 192 667	295 491
Loans to individuals								
Housing	202 683	53 180	255 863	65 409	191 624	53 396	245 020	64 145
Other loans	120 601	52 709	173 311	52 478	139 129	53 561	192 690	55 093
	1 151 794	312 541	1 464 335	363 493	1 253 811	376 567	1 630 378	414 729

At June 30, 2015 and December 31, 2014 restructured loan operations identified by Banco de Fomento de Angola amounted to 37 282 t. euro and 38 232 t. euro, respectively.

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were:

- in the case of interest depending on market indices or other references which are only identifiable on a future date (such as interest based on the Euribor) assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at June 30, 2015 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at Central Banks	2 012 836						2 012 836
Deposits at other credit institutions	363 519	188 127					551 646
Financial assets held for trading and at fair value through profit or loss		510 568	988 465	547 230	86 964	1 109 825	3 243 052
Financial assets available for sale		817 995	3 110 054	2 925 365	187 472	425 238	7 466 124
Held-to-maturity investments		1 627	9 941	10 794			22 362
Loans and advances to credit institutions		1 560 970	211 091	134 356	3 696		1 910 113
Loans and advances to customers		2 847 300	2 497 026	7 353 703	11 484 310	980 583	25 162 922
Hedging derivatives[1]		2 171 489	4 577 090	3 883 917	168 473		10 800 969
Trading derivatives [1]		566 667	960 914	2 294 544	2 474 279		6 296 404
Contractual interest cash flows of derivatives		30 394	88 639	188 398	166 188		473 619
Contractual interest cash flows of other assets		155 622	490 859	2 020 614	2 404 491		5 071 587
	2 376 355	8 850 758	12 934 079	19 358 922	16 975 874	2 515 646	63 011 634
Liabilities							
Resources of central banks				1 519 651			1 519 651
Financial liabilities held for trading					12 552		12 552
Resources of other credit institutions		425 716	221 921	97 375	628 488		1 373 500
Resources of customers and other debts	11 389 573	5 506 481	7 176 452	2 270 860	1 685 088		28 028 454
Debt securities		127 127	518 994	550 578	20 000		1 216 699
Financial liabilities relating to transferred assets			598 445	358 134			956 579
Hedging derivatives[1]		2 143 979	4 559 226	3 880 461	168 549		10 752 216
Trading derivatives [1]		568 028	961 815	2 288 450	2 479 251		6 297 545
Technical provisions		297 624	1 150 595	726 796	1 786 981		3 961 996
Other subordinated debt and participating bonds		58 510		10 929			69 439
Contractual interest cash flows of derivatives		29 141	103 243	317 221	139 366		588 970
Contractual interest cash flows of other liabilities		116 718	135 397	200 494	64 247		516 856
	11 389 573	9 273 324	15 426 088	12 220 950	6 984 523		55 294 457

[1] Includes the notional amount of swap operations.

The contractual undiscounted cash flows of financial assets and liabilities at December 31, 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 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 the first half of 2015 Banco BPI repaid and repurchased own debt on the amount of 912 million euro and the sale and repurchase of third party bonds in the amount of 200 million euro. Net funding obtained from the ECB increased from 1 500 million euro in December 2014 to 1 520 million euro in June 2015, relating entirely to the funds obtained under the TLTRO (4 year operation at a fixed rate launched by the ECB at the end of 2014 to promote the granting of credit to the economy, maturing in 2018). At June 30, 2015 the Bank had a portfolio of assets eligible for obtaining funding from the ECB, totalling 8 972 million euro net of ECB valuation margins. This amount includes 6 029 million euro available for immediate use.

More information about the management of liquidity risks of the BPI Group is contained in the "Liquidity risk" section of the Directors' Report.

Market Risk

Market risk (interest rate, exchange rate, share price, commodity price and spread) is defined as the potential to incur losses due to unexpected changes in the price of instruments or operations ("price" includes index value, interest rate or exchange rate). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as a reference.

The Executive Board for Global Risks (EBGR) is responsible for managing the BPI Group's market risk and differentiates between the trading portfolio (trading) and the remaining businesses. In the specific case of exchange risk, the assessment is made for the activity as a whole (trading and non-trading).

More information about market risks in the BPI Group is contained in the "Risk Management" section of the Directors' Report.

Trading portfolio (trading)

Trading positions are managed autonomously by the traders, within the limits established by the Trading Department Manual for the entire BPI Group, approved by the Executive Committee of the Board of Directors. The trading portfolio is defined for financial and risk management purposes, independently of the accounting classification (although the concepts largely match) and includes all types of financial instruments traded by the Trading Rooms (derivatives, repurchases, shares and bonds) that cause various types of market risk, namely interest rate, shares, exchange, commodities and spread risks.

Market risk in trading operations is assessed and controlled daily through the calculation of VaR - Value at Risk – using a standard model (of the "variance co-variance" type), based on the activity of the Banks of the BPI Group as a whole.

Calculated VaR corresponds to the maximum potential loss, with a confidence level of 99%, resulting from an adverse evolution of risk factors within a timeframe of two weeks (risk factors are price increase rates, indexes and interest rates that affect the value of the portfolio, or that are taken as representative of those prices, indexes and rates). The model uses, as risk factor volatility, the standard deviation of historical samples of their amounts on an annual basis and uniform weight. In calculating the overall risk, the effect of the diversification of investments is included in the model through the statistical effect of the correlation between risk factors (the correlation is calculated from annual historical samples and uniform weight of relevant pairs of risk factors). A normal distribution of risk factors is assumed, with a mean of zero and standard deviation leading to the above mentioned confidence level.

In the first half of 2015 and 2014 the average VaR in the Bank's trading books was as follows:

	Jun. 30, 15		Jun. 30, 14	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	1 664	4 310	546	1 163
Currency risk	501	2 507	1 371	1 662
Equity risk	2 174	4 774	2 288	3 765

In compliance with its legal obligations, the Group also produces prudential information for purposes of control by the supervisor and calculates regulatory capital relating to market risks in accordance with the standard methodology established by the Bank of Portugal.

Banking portfolio (non-trading)

The Financial Committee, chaired by the Executive Board's member responsible for the financial portfolio, monitors and manages the positions that are part of the banking portfolio, from reports produced for the purpose and within the guidelines of EBGR. When necessary an extraordinary meeting of EBGR is requested to make the more important decisions.

Offsetting of financial assets and liabilities

BPI Group has contracts that allow the offsetting of financial assets and liabilities on a net basis per counterparty, namely derivative operations and repo security transactions.

The Group has the policy of contracting its derivative operations with its professional counterparties (through "ISDA Master Agreements") or with its customers (through framework contracts), in order to have the possibility, in both cases, of netting positions by counterparty or customer. Credit Support Annexes (CSA's) are also signed with professional counterparties that allow the transfer of collateral in order to minimize the risk.

Repo transactions are made mostly under a standard ISMA contract called "Global Master Repurchase Agreement", which is considered as a compensation agreement, allowing the offsetting of the positive and negative values of all transactions negotiated with the counterparty.

Derivatives and repo transactions relating to securities are not compensated for the purpose of presentation in the financial statements of the BPI Group - the amount of each transaction is recorded as an asset or a liability, depending on whether the operation has a positive or negative fair value, respectively.

At June 30, 2015 and December 31, 2014 the amount of asset derivative financial instruments[1] traded in the over-the-counter market, offset by related liability derivatives, by counterparty type, was as follows:

Counterparty	Financial assets presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral received as guarantee	
		Jun. 30, 15		
Financial Institutions	141 378	(94 405)	(23 380)	23 593
Local and Administrative Public Sector	328			328
Other Financial Intermediaries	2 312	(908)		1 404
Companies	197 462	(17 674)		179 788
Insurance/Pension Companies	117			117
Individuals	279			279
Total	341 876	(112 987)	(23 380)	205 509
		Dec. 31, 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

At June 30, 2015 and December 31, 2014 the amount of liability derivative financial instruments[1] traded in the over-the-counter market, offset by related asset derivatives, by counterparty type, was as follows:

Counterparty	Financial liabilities presented in the financial statements	Related amounts not set off in the financial statements		Net value
		Financial instruments	Cash collateral pledged as guarantee	
		Jun. 30, 15		
Financial Institutions	490 591	(94 405)	(378 048)	18 138
Other Financial Intermediaries	38 065	(908)		37 157
Companies	19 017	(17 674)		1 343
Total	547 673	(112 987)	(378 048)	56 638
		Dec. 31, 14		
Financial Institutions	619 385	(113 344)	(483 878)	22 164
Other Financial Intermediaries	137	(74)		63
Companies	23 612	(1 193)		22 419
Individuals	1			1
Total	643 135	(114 610)	(483 878)	44 647

[1] Does not include embedded derivatives and listed derivatives in the amounts of 27 869 t. euro and 24 353 t. euro, at June 30, 2015 and December 31, 2014, respectively.

At June 30, 2015 and December 31, 2014 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
	Jun. 30, 15		
Financial Institutions	62 947	(62 947)	
Total	62 947	(62 947)	
	Dec. 31, 14		
Financial Institutions	71 740	(71 740)	
Total	71 740	(71 740)	

At June 30, 2015 and December 31, 2014 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
	Jun. 30, 15		
Financial Institutions	99 811	(99 811)	
Other Financial Intermediaries	75 768	(75 768)	
Total	175 579	(175 579)	
	Dec. 31, 14		
Financial Institutions	81 409	(81 409)	
Other Financial Intermediaries	94 260	(94 260)	
Total	175 669	(175 669)	

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations (including the securities portfolio of the international operations classified in the accounting records as of trading):

	Jun. 30, 15			Jun. 30, 14		
	Financial margin					
Time band	**Position**	**Weighting factor**	**Weighted position**	**Position**	**Weighting factor**	**Weighted position**
on demand	1 348 788	2.00%	26 976	1 049 608	2.00%	20 992
on demand - 1 month	1 577 549	1.92%	30 289	(1 648 248)	1.92%	(31 646)
1 - 2 months	806 120	1.75%	14 107	838 681	1.75%	14 677
2 - 3 months	2 287 586	1.58%	36 144	2 734 589	1.58%	43 207
3 - 4 months	(437 568)	1.42%	(6 213)	(427 143)	1.42%	(6 065)
4 - 5 months	230 466	1.25%	2 881	(171 811)	1.25%	(2 148)
5 - 6 months	1 221 036	1.08%	13 187	1 702 850	1.08%	18 391
6 - 7 months	651 672	0.92%	5 995	675 604	0.92%	6 216
7 - 8 months	(113 309)	0.75%	(850)	188 526	0.75%	1 414
8 - 9 months	438 631	0.58%	2 544	191 705	0.58%	1 112
9 - 10 months	(164 392)	0.42%	(690)	304 636	0.42%	1 279
10 - 11 months	484 302	0.25%	1 211	506 248	0.25%	1 266
11 - 12 months	(207 187)	0.08%	(166)	(42 639)	0.08%	(34)
Total			125 414			68 659

Note: The positions were distributed by the asset, liability and respective maturity class columns.

The weighted position indicates an estimate of the impact on the financial margin obtained at the end of 12 months starting on July 1 of each year resulting from a single and instantaneous change of 2% in the overall market interest rates affecting the respective positions. Thus, the impact on each date depends on the existence and time distribution of the repricing gaps.

The interest rate risk of the remaining fixed interest rate assets and liabilities is hedged through derivatives, or is offset by balance sheet operations with a reverse risk profile.

Equity risk

In accordance with prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss[2]. This stress test was based on the following exposures in shares and participating units:

	Jun. 30, 15	**Jun. 30, 14**
Financial assets held for trading and at fair value through profit or loss	37 014	17 142
Financial assets available for sale - at fair value and without impairment	162 183	125 752
Financial assets available for sale - at fair value and with impairment	64 476	88 026
Financial assets available for sale at historical cost	6 162	8 525
Participating units in liquidity, bond and real estate funds	3 872	4 064
	273 707	**243 509**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities recorded at cost and participating units in liquidity, bond and real estate funds) at June 30, 2015 and 2014, would result in a decrease of 52 169 t. euro and 46 184 t. euro, respectively, in their fair value, implying the recognition of a loss of 19 733 t. euro and 21 034 t. euro, the remaining devaluation being reflected in the fair value reserve.

2 Excluding securities held by BPI Vida e Pensões.

Currency risk

Financial assets and liabilities at June 30, 2015, 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	395 166	501 070	1 109 236	7 364	2 012 836
Deposits at other credit institutions	415 657	80 625	5 817	49 545	551 644
Financial assets held for trading and at fair value through profit or loss	2 849 332	380 102	263 124	20 600	3 513 158
Financial assets available for sale1	4 145 876	925 548	2 303 159	447	7 375 030
Loans and advances to credit institutions	611 480	1 171 356	118 242	12 415	1 913 493
Loans and advances to customers	22 587 724	899 214	730 839	79 332	24 297 109
Held-to-maturity investments	22 394				22 394
Hedging derivatives	105 303	3 351		467	109 121
Debtors and other applications	49 625	71 234	5 337	2 446	128 642
	31 182 557	4 032 500	4 535 754	172 616	39 923 427
Liabilities					
Resources of central banks	1 520 137				1 520 137
Financial liabilities held for trading	308 758	5 414	18 049	4	332 225
Resources of other credit institutions	1 301 786	85 300	56	1 183	1 388 325
Resources of customers and other debts	19 769 567	4 118 890	4 117 528	249 469	28 255 454
Debt securities	1 199 288	28 070			1 227 358
Financial liabilities relating to transferred assets	956 058				956 058
Hedging derivatives	232 288	5 163		31	237 482
Provisions	89 523	24 683	4 937	598	119 741
Technical provisions	3 961 996				3 961 996
Other subordinated debt and participating bonds	69 516				69 516
Creditors and other resources	214 836	18 545	62 625	2 124	298 130
	29 623 753	4 286 065	4 203 195	253 409	38 366 422
Forward currency operations	(1 044 256)	454 052	203 874	92 691	(293 639)
		200 487	536 433	11 898	
Stress Test		40 097	160 930	2 380	

[1] Excludes the amount recorded in the Fair Value Reserve.

At June 30, 2015, exchange currency exposure in USD includes 49 351 t. euro relating to the unit links insurance portfolio issued by BPI Vida e Pensões where the investment risk is of the policyholder.

Financial assets and liabilities at December 31, 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 sale1	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
Contingent convertible subordinated bonds					
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.

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 June 30, 2015 is made up as follows:

Fair value types of hedge	Hedged items					Hedging instruments			
	Nominal amount	Interest, premiums and potential gain/loss	Impairment	Value corrections	Total	Notional amount	Interest and premiums	Revaluation	Fair value
Assets									
Loans to customers	268 211	3 251	(2 091)	36 651	306 022	304 041	(5 762)	(38 062)	(43 824)
Fixed rate securities portfolio	1 464 465	1 030		177 211	1 642 706	1 440 880	(10 678)	(176 284)	(186 962)
	1 732 676	4 281	(2 091)	213 862	1 948 728	1 744 921	(16 440)	(214 346)	(230 786)
Liabilities									
Resources of credit institutions	20 000	313		13 352	(33 665)	20 000	304	13 347	13 651
Customer deposits	7 916 986	79 114		36 953	(8 033 053)	7 941 868	43 050	21 796	64 846
Debt issues	471 699	2 905		4 411	(479 015)	1 182 866	1 076	22 852	23 928
	8 408 685	82 332		54 716	(8 545 733)	9 144 734	44 430	57 995	102 425

Embedded options were not included.

The book value of hedged instruments and fair value of hedging instruments at December 31, 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 tables above include the nominal amounts of hedged items for which hedge accounting is being applied. The notional amount of hedging instruments corresponds to the sum of the notional amounts of the hedging derivative contracts, including forward start operations (swaps and futures), and therefore the notional amount may be higher than the nominal amounts of the hedged items. For a given asset or liability (namely fixed rate securities) there may be several derivatives to hedge the corresponding future flows.

Net income on financial operations recognized in hedging derivative financial instruments and in hedged items in the first half of 2015 and 2014 were as follows:

Fair value types of hedge	**Jun. 30, 15**	**Jun. 30, 14 Proforma**
Hedging derivatives	20 878	(56 635)
Hedged items		
Loans to customers	(8 009)	6 490
Fixed rate securities portfolio	(28 938)	47 738
Resources of credit institutions	1 911	(3 125)
Customer deposits	9 712	(18 365)
Debt issues	5 227	18 842
	(20 097)	51 580
	781	(5 055)

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 2500 euro) it is made up of BPI shares and BPI share options. The individual remuneration under the RVA program varies between 10% and 50%, the percentage increasing with the responsibility level of the beneficiary.

The shares granted to employees under the RVA program are transferred in full at the grant date, but 75% of the transfer is subject to a resolution condition (relating to termination of the employment relationship, unless made by just cause of the Employee), which expires on a gradual basis over the three years following the grant date (25% each year). The options to purchase shares may be exercised between the 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 June 25, 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 September 3, 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.

Considering that in the first half of 2015 Banco BPI was under a public share purchase offering, launched on February 17, 2015, and considering on the one hand, the interest in maintaining the RVA program, since the principles that inspired its creation and the objectives it aims to achieve remain valid and, on the other hand, the possible questions that, under the circumstances, could be raised because of the granting of share based remuneration, the Board of Directors of BPI decided not to realize the RVA program for the year 2014. In 2006 there was no RVA program because Banco BPI was also under a public share purchase offering. Under these circumstances, the variable remuneration was fully paid in cash. All the other RVA programs remain in force under the conditions referred to 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 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 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	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 2015	1 545	1 329	2 874
	21 724	**24 105**	**45 829**

The values of RVA 2015 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 the first half of 2015 and in 2014 Proforma, 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 2013	15 706	27	15	7 059	8	9	9 168	3	11	60 923	53	74			
Shares made available in 2013	15 586	27	15	5 216	6	6	4 590	2	6	30 479	26	37			
Shares made available early in 2013	120														
Shares refused in 2013															
Shares not made available at December 31, 2013	0			1843	2	2	4 578	2	6	30 444	26	37			
Shares attributed in 2014													702 879	1269	721
Shares made available in 2014				1843	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 December 31, 2014							2 289	1	2	30 444	26	31	517 884	935	531
Shares attributed in 2015															
Shares made available in 2015							2 289	1	2	15 222	13	15	172 175	311	175
Shares made available early in 2015													462	1	
Shares refused in 2015													983	2	1
Shares not made available at June 30, 2015										15 222	13	15	344 264	622	350

In the case of death, incapacity or retirement of the employee, the shares not yet made available are made available early, becoming freely available to the person or to the respective heirs.

The shares refused include shares granted but not made available, to which the employee has lost his/her right because he/she has left the BPI Group.

Options

The changes in the number of share options in circulation, held by employees of the BPI Group (options that can be exercised) in the first half of 2015 and in 2014 Proforma, as well as their respective fair values are as follows:

	RVA 2009			RVA 2010			RVA 2011			RVA 2012			RVA 2013		
		Fair value			Fair value			Fair value			Fair value			Fair value	
	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date	Number of shares	On the date attributed	On the reference date
Options attributed in 2013	2 337 808	763	95	855 761	210	444	1 194 011	145	1329	2 616 653	725	1968			
Options made available in 2013	2 337 808	763	95	855 761	210	444	1 194 011	145	1329	2 616 653	725	1968			
Options cancelled in 2013	24 501	8	1							412 628	114	310			
Options exercised in 2013				7 495	2	4	744 537	90	829	85 005	24	64			
Options in circulation and exercisable at December 31, 2013	2 313 307	755	94	848 266	208	440	449 474	55	500	2 119 020	587	1594			
Options in circulation at December 31, 2013	2 313 307	755	342	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	1321	324
Options made available in 2014													2 982 564	1321	324
Options cancelled in 2014	3 257	1											2 246	1	
Options exercised in 2014	58 187	19	9	259 023	64	41	43 636	5	26	405 742	112	116			
Options in circulation and exercisable at December 31, 2014	2 251 863	735	333	2 629 447	646	414	405 838	49	241	1 713 278	475	492	2 980 318	1320	324
Options in circulation at December 31, 2014	2 251 863	735		2 629 447	646	290	405 838	49	233	1 713 278	475	439	2 980 318	1320	263
Options attributed in 2015															
Options made available in 2015															
Options cancelled in 2015	2 251 863	735											830		
Options exercised in 2015				40 712	10	4	28 091	3	16	165 939	46	42			
Options in circulation and exercisable at December 31, 2015	0			2 588 735	636	286	377 747	46	217	1 547 339	429	396	2 979 488	1320	262

The granting and availability of Shares and Options in 2014 under the RVA 2010 and 2013 programs result from the share capital increase in June 2014.

When an employee of the BPI Group leaves the Group he/she loses the right to the options attributed and not yet made available. In the case of options made available but not yet exercised, the employee has a maximum period of 30 days from the date the labour relationship terminates to exercise the option, after which the option expires (options cancelled).

In the case of death, incapacity or retirement of employees, the options attributed become immediately exercisable, having to be exercised within a period of 2 years from the date of the event, otherwise they expire. Cancelled options include options not exercised within this period.

In the first half of 2015 and in 2014 Proforma, the average price of the shares on the date in which the options were exercised was as follows:

Program	Options exercised in 2015		Options exercised in 2014	
	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	40 712	1.38	259 023	1.81
RVA 2011	28 091	1.25	43 636	1.48
RVA 2012	165 939	1.16	405 742	1.60

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 June 30, 2015 were as follows:

	RVA 2009	RVA 2010	RVA 2011	RVA 2012	RVA 2013
Number of outstanding options	0	2 588 735	377 747	1 547 339	2 979 488
Strike price	1.72	1.11	0.36	0.87	1.81
Value of option	0.00	0.11	0.58	0.26	0.09

The number of outstanding options under each RVA Program, as well as their respective fair values at December 31, 2014 Proforma 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

ACCOUNTING IMPACT OF THE RVA PROGRAM

Shares

In order to cover the share-based payments, the Bank acquires a portfolio of treasury shares at the time the RVA remuneration is attributed. The shares remain in Banco BPI's portfolio until they are made available to the beneficiaries. At that time they are derecognized by corresponding charge to the accumulated costs caption "Other equity instruments".

The book value and fair value of the share component of the RVA program not yet made available to the Employees/Directors at June 30, 2015 and December 31, 2014 Proforma are as follows:

Shares	Program	Jun. 30, 15			Dec. 31, 14 Proforma		
		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 2011				1		
	RVA 2012	34			23		
	RVA 2013	436			589		
	RVA 2014				530		
	RVA 2015	307					
		778			1143		
Cost of the shares to be made available to the Group's employees/directors, not recognized in shareholders' equity	RVA 2012	(21)			3		
	RVA 2013	185			346		
	RVA 2014				810		
	RVA 2015	1238					
		1402			1159		
	Total	**2 180**	**359 486**	**365**	**2 302**	**550 617**	**564**
	RVA 2013				14		
	Total				**14**		
Treasury shares to be made available early to the Group's employees/directors	RVA 2011				1	2 289	2
	RVA 2012	13	15 222	15	26	30 444	31
	RVA 2013	622	344 264	350	935	517 884	531
	Total	**635**	**359 486**	**365**	**962**	**550 617**	**564**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment program responsibilities resulting from the issuance of options to purchase BPI shares in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption "Treasury shares hedging the RVA", where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognized together with transfer of share ownership to the Employees. At that time a gain or loss is recognized, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption "Other equity instruments".

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees/Directors at June 30, 2015 and December 31, 2014 Proforma were as follows:

Options	Program	Jun. 30, 15			Dec. 31, 14 Proforma		
		Book value	Fair value	Unrealized gain/(loss)	Book value	Fair value	Unrealized gain/(loss)
Cost of outstanding options (premiums) recognized in shareholders' equity	RVA 2009				786		
	RVA 2010	548			558		
	RVA 2011	46			49		
	RVA 2012	753			475		
	RVA 2013	1330			1331		
	RVA 2014				928		
	RVA 2015	399					
		3 076			4 127		
Cost of outstanding options (premiums) not recognized in shareholders' equity	RVA 2014				1563		
	RVA 2015	930					
		930			1563		
	Total	**4 006**	**2 619**	**1 387**	**5 690**	**2 619**	**3 071**
Treasury shares hedging the RVA options	RVA 2009				6 242	4 167	(2 075)
	RVA 2010	6 372	4 178	(2 194)	250	86	(164)
	RVA 2011	2 156	671	(1485)	2 248	705	(1543)
	RVA 2012	3 461	1197	(2 264)	3 950	1377	(2 573)
	RVA 2013	24	9	(15)	23	8	(15)
	Total	**12 013**	**6 055**	**(5 958)**	**12 713**	**6 343**	**(6 370)**
Unrealized gain/(loss)				(4 571)			(3 299)

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 June 30, 2015 and December 31, 2014 Proforma were as follows:

Gain-loss		Program	Jun. 30, 2015	Dec. 31, 2014 Proforma
Shares	In making the shares available	RVA 2008		50
		RVA 2009	21	
		RVA 2010		(206)
		RVA 2013		(879)
			21	**(1 035)**
Options	In the exercise of options	RVA 2008		(1 242)
		RVA 2009	59	(59)
		RVA 2010	(65)	(425)
		RVA 2011	(78)	(122)
		RVA 2012	(299)	(731)
			(383)	**(2 579)**
Transaction costs/ Dividend devolution			**41**	**7**
Premiums of options not exercised at the end of the program		RVA2009	**665**	
			344	**(3 607)**

The cost of the share-based remuneration program is accrued in personnel costs, by corresponding entry to the "Other equity instruments" caption, as required by IFRS 2 for share-based payment programs. The cost of the shares and option premiums, when they are granted, is accrued on a straight-line basis from the beginning of the program (January 1) to the date they are made available to the Employees/Directors.

The total cost of the share-based payment program recognized in the first half of 2015 and 2014 was as follows:

Program	Jun. 30, 15			Jun. 30, 14 Proforma		
	Shares	Options	Total	Shares	Options	Total
RVA 2009					(1)	(1)
RVA 2010		5	5	8	32	40
RVA 2012	2	25	27	4		4
RVA 2013	248	104	352	752	811	1 563
RVA 2014	(418)	(463)	(881)	10	175	185
RVA 2015	307	399	706			
Total	**139**	**70**	**209**	**774**	**1 017**	**1 791**

4.51. Capital Management

At June 30, 2015 and December 31, 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 June 26, 2013 by the European Parliament and the Council of the European Union in force as of January 1, 2014.

	Jun. 30, 15	Dec. 31, 14
Accounting Capital [1]	2 308 797	2 290 482
Potential gains on fair value reserve	4 959	(3 783)
Eligible minority interests	354 864	308 378
Actuarial deviations	(58 013)	(58 558)
Deferred tax assets arising from tax losses	(30 991)	(14 879)
Loans granted for acquisition if shares and intangible assets	(12 701)	(6 971)
Investment in banking and insurance institutions	(38 026)	(27 178)
Negative Additional Tier I		(61 968)
Common Equity Tier 1	**2 528 890**	**2 425 523**
Additional Tier 1	48 076	
Total Equity	2 576 966	2 425 523
Risk-weighted assets	**24 045 369**	**20 602 267**
Common Equity Tier 1	10.5%	11.8%
Tier 1	10.7%	11.8%
Total Ratio	10.7%	11.8%

1 Excluding fair value reserve and actuarial deviations.

Considering that the Bank adhered to the Special Regime of Deferred Tax Assets approved in the Shareholders' General Meeting of October 17, 2014 and the loss of supervision equivalence in Angola, both as from January 1, 2015, the Common Equity Tier 1 pro-forma of BPI would be 10.2%.

Considering full implementation of the CRV IV/CRR rules, Banco BPI's "fully implemented" Common Equity Tier 1 at June 30, 2015 was 9.1%. At December 31, 2014 the "fully implemented" Common Equity Tier 1, considering the Special Deferred Tax Assets Regime and loss of the supervision equivalence in Angola, 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 April 20, 2006, the following rule was included (Article 26 item 3): "The Shareholders' General Meeting should decide on the long term dividend policy by proposal of the Board of Directors which should justify possible deviations from that policy."

In complying with this statutory rule, the Shareholders' General Meeting held on April 19, 2007 approved the Long Term Dividend Policy of Banco BPI, the main guideline being to distribute an annual dividend of not less than 40% of consolidated net income for the year, except in special circumstances.

The Policy referred to in the previous paragraph was temporarily limited by item 6.4. of the Recapitalization Plan approved in the Shareholders' General Meeting held on June 27, 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

In accordance to IAS 24, the entities considered to be related to Banco BPI are:

- Those in which the Bank has direct or indirect significant influence in decisions relating to their financial and operating policies – Associated and jointly controlled companies and pension funds;
- Entities that have direct or indirect significant influence on the management and financial policies of the Bank – Shareholders, assuming that this happens when the equity interest exceeds 20%.
- Key management personnel of Banco BPI, considering for this purpose executive and non-executive members of the Board of Directors and individual persons and companies associated to them.

The BPI Group's related parties at June 30, 2015 were as follows:

Name of related entity	Head Office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	30.0%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension funds of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	10.8%	
Fundo de Pensões Aberto BPI Valorização	Portugal	43.3%	
Fundo de Pensões Aberto BPI Segurança	Portugal	26.1%	
Fundo de Pensões Aberto BPI Garantia	Portugal	9.8%	
Shareholders of Banco BPI			
Grupo La Caixa	Spain	44.1%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Fernando Ulrich			
Alfredo Rezende de Almeida			
Allianz Europe Ltd. - that appointed Carla Bambulo as representative to act in her own name			
António Domingues			
António Lobo Xavier			
Antonio Massanell Lavilla [1]			
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 [1]			

[1] Awaiting registration by BdP.

The total assets, liabilities and off-balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2015 were as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Assets			
Financial applications	20 469		**20 469**
Financial assets held for trading and at fair value through profit or loss		150	**150**
Loans	46		**46**
Other assets	9 864	222	**10 086**
	30 379	**372**	**30 751**
Liabilities			
Deposits and technical provisions	15 583	172 211	**187 794**
Resources of other credit institutions	1 088		**1 088**
Provisions	40		**40**
Other financial resources		60 078	**60 078**
Other liabilities	47		**47**
	16 758	**232 289**	**249 047**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	11 835		**11 835**
Commitments to third parties			
Revocable commitments	3 112		**3 112**
Responsabilities for services rendered			
Deposit and safeguard of assets	1 098 338	1 128 027	**2 226 365**
	1 113 285	**1 128 027**	**2 241 312**

The total assets, liabilities and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 2015 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Assets				
Financial applications	177 094			**177 094**
Financial assets held for trading and at fair value through profit or loss	1 500	6 020	880	**8 400**
Financial assets available for sale	88	49 877	57 836	**107 801**
Loans	15 676	147 389	218 109	**381 174**
Derivatives			10	**10**
Others	243	1	1	**245**
	194 601	**203 287**	**276 836**	**674 724**
Liabilities				
Financial liabilities held for trading and derivatives	141			**141**
Deposits and technical provisions	444	400 626	12 839	**413 909**
Resources of other credit institutions	1 854			**1 854**
Provisions	51	287	167	**505**
Debt securities		31		**31**
Other liabilities	2	107		**109**
	2 492	**401 051**	**13 006**	**416 549**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	31 222	61 223	66 336	**158 781**
Guarantees received		5 657	10 479	**16 136**
Commitments to third parties				
Irrevocable commitments			23 500	**23 500**
Revocable commitments	208	3 881	34 104	**38 193**
Responsabilities for services rendered				
Deposit and safeguard of assets	654 027	1 830 438	112 584	**2 597 049**
Others			53 400	**53 400**
Foreign exchange operations and derivatives instruments				
Purchases	39 220		1 250	**40 470**
Sales	(38 935)		(1 250)	**(40 185)**
	685 742	**1 901 199**	**300 403**	**2 887 344**

[1] Includes the La Caixa Group headed up by the Fundação Bancária La Caixa, comprising the companies it controls.

[2] Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

The total assets, liabilities and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at December 31, 2014 are 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**
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 December 31, 2014 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	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**
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] Includes the La Caixa Group.

[2] In individual name.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2015 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Income			
Net interest income	74	(837)	**(763)**
Net fees and commissions	20 518		**20 518**
General and administrative expenses	(371)	(8 084)	**(8 455)**
Impairment losses and provisions for loans and guarantees, net	(3)		**(3)**
	20 218	**(8 921)**	**11 297**

Total income and costs relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 2015 are as follows:

	Shareholders of Banco BPI [1]	Members of the Board of Directors of Banco BPI [2]	Companies in which Members of the Board of Directors of Banco BPI have significant influence [3]	Total
Income				
Net interest income	756	(239)	88	**605**
Net fees and commissions		174	10	**184**
Impairment losses and provisions for loans and guarantees, net	(13)	(28)	(951)	**(992)**
	743	**(93)**	**(853)**	**(203)**

[1] Includes the La Caixa Group headed up by the Fundação Bancária La Caixa, comprising the companies it controls.

[2] Includes the Members of the Board of Directors, also including: (i) Allianz Europe Ltd, the companies that control it, including Allianz SE, and the companies controlled by it, except Allianz Portugal, which was considered in associated companies; and (ii) Santoro Financial Holdings, SGPS, as it is the sole shareholder of Santoro Finance, Mrs. Isabel José dos Santos, as shareholder of Santoro Financial Holdings, SGPS to whom, under the terms of paragraph b) item 1 of article 20 and article 21 of the Portuguese Securities Code, the investment of Santoro Finance in Banco BPI is attributed, and the companies controlled by Mrs. Isabel José dos Santos.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

Total income and costs relating to operations with associated and jointly controlled companies and pension funds of employees of the BPI Group at June 30, 2014 are as follows:

	Associated and jointly controlled companies	Pension funds of Employees of the BPI Group	Total
Income			
Net interest income	29	(984)	**(955)**
Net fees and comissions	19 267	5	**19 272**
General and administrative expenses	(184)	(8 238)	**(8 422)**
	19 112	**(9 217)**	**9 895**

Total income and costs relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at June 30, 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 [3]	Total
Income				
Net interest income	351	(23)	161	**489**
Net fees and commissions		6	43	**49**
Net income on financial operations	35			**35**
	386	**(17)**	**204**	**573**

[1] Includes the La Caixa Group.

[2] In individual name.

[3] Includes the companies in which the Members of the Board of Directors have significant influence not included in other categories.

EMPLOYEE REMUNERATION AND OTHER BENEFITS

Indication of the annual amount of remuneration received, in aggregate and individually, by the members of the Company's management body, by the Company, including fixed and variable remuneration and, in relation to this, mention of the different components that gave rise to it.

In the first half of 2015 the fixed remuneration of the members of the Board of Directors amounted to 1 611 458 euro.

To this should be added, specifically as regards fixed remuneration of the members of the Executive Commission, 18 859 euro relating to seniority and, in the case of non-executive members, 111 000 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 2013 [1]	Attendance Allowance	Seniority Payments	Long Service Premiums
Artur Santos Silva	63 000	n/a	18 500	n/a	n/a
Fernando Ulrich	231 000	61 354	n/a	3 601	0
António Domingues	211 750	56 241	n/a	2 770	0
Alfredo Rezende	24 500	n/a	14 800	n/a	n/a
António Farinha de Morais	n/a	43 320	n/a	n/a	0
António Lobo Xavier	24 500	n/a	n/a	n/a	n/a
Armando Leite de Pinho	24 500	n/a	3 700	n/a	n/a
Carla Sofia Bambulo	20 708	n/a	3 700	n/a	n/a
Carlos Moreira da Silva	24 500	n/a	3 700	n/a	n/a
Edgar Alves Ferreira	24 500	n/a	14 800	n/a	n/a
Ignacio Alvarez Rendueles	24 500	n/a	14 800	n/a	n/a
Isidro Fainé Casas	24 500	n/a	n/a	n/a	n/a
João Pedro Oliveira Costa	163 100	n/a	n/a	1 939	0
José Pena do Amaral	163 100	43 320	n/a	2 770	0
Manuel Ferreira da Silva	163 100	43 320	n/a	2 770	0
Maria Celeste Hagatong	163 100	43 320	n/a	2 770	0
Vicente Tardio Barutel	24 500	n/a	3 700	n/a	n/a
Marcelino Armenter	24 500	n/a	18 500	n/a	n/a
Mário Leite da Silva	24 500	n/a	11 100	n/a	n/a
Pedro Barreto	163 100	43 320	n/a	1 939	0
Tomaz Jervell	24 500	n/a	3 700	n/a	n/a

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.

[1] Variable remuneration attributed in 2015, relating to 2013, the payment of which was subject to the Deferral Period and existence of the Condition of Access to Deferred Remuneration, that was paid in 2015 as a result of the time period, of the occurrence of the condition of access and of the restitution, as explained above.

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 June 27, 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 June 26, 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 July 1, 2012;

(iii) The remuneration policy approved by the Shareholders' General Meeting held on April 23, 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 June 25, 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 September 3, 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.

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 125 095 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 2013, 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:

Compensation paid or owed to former executive directors in respect of early termination of service during the year.

In the first half 2015 no payments were made for early termination.

Indication of the annual amount of remuneration received, in total and individually, by the members of the supervisory board of the Company for purposes of Law 28/2009 of June 19.

In the first half of 2015, the total remuneration of the members of the Supervisory Board was 99 400 euro. The amounts earned individually were as follows:

Supervisory Board Remuneration	Amounts in euro
Supervisory Board	Fixed Remuneration Regular
Abel Reis	36 400
Jorge Figueiredo Dias	31 500
Rui Guimarães	31 500

Remuneration of the Chairman of the Shareholders' General Meeting Committee

In the first half 2015 the overall remuneration for exercising the function of **Chairman of the Shareholders' General Meeting Committee** was 7 000 euro, paid in 7 instalments.

The members of the Shareholders' General Meeting Committee do not benefit, as a result of this circumstance, from any retirement entitlement.

Pensions of the executive members of the Board of Directors

At June 30, 2015 the Directors covered by the defined benefits pension plan and the plan's liability, were as follows:

	Current	Retired	Total
Number of persons	7	4	11
Liability (t.euro)	17 119	11 966	29 085

Adding the amounts relating to other individuals that are current or former Directors of the Banks in the BPI Group and that benefit from a defined benefit pension plan to the figures presented in the table above, the table is as follows:

	Current	Retired	Total
Number of persons	14	9	23
Liability (t.euro)	26 311	18 289	44 600

In December 2006 the liability for retirement and survivor pensions under a defined benefit pension regime for Directors of the BPI Group's banks was transferred to an open-ended pension fund (Fundo de Pensões BPI Valorização).

The pension rights acquired in the first half of 2015 by the members of the Executive Committee relating to old age retirement pensions amounted to 50 120 euro.

Loans to members of the Board of Directors

Mortgage loans

At June 30, 2015 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 2 012 t. euro.

Credit lines for the exercise of RVA options and subscriptions of BPI shares in the capital increase realised in 2008

Banco BPI's executive Directors (as well as its employees) benefit from a credit line for the acquisition and maintenance in portfolio of BPI shares resulting from the exercise of options awarded under the RVA scheme. At June 30, 2015, the balance of credit given to the members of Banco BPI's Executive Committee was 6 302 t. euro.

In 2008 a credit line was made available to the Directors of the Group companies (as well as to employees and retirees) who wished to subscribe for BPI shares in the capital increase to keep in the portfolio of shares thus acquired. At June 30, 2015 the credit line balance relating to the members of Banco BPI's Executive Committee was 971 t. euro.

Credit lines for the exercise of RVA options and subscription for BPI shares in the 2008 capital increase
Balance at June 30, 2015

	Credit line for the exercise of options [1]	Credit line for subscription for BPI shares
Banco BPI Executive Committee	5 331	971
Directors of Banco Português de Investimento[2]	101	39
Managers and other employees	2 109	273
Total	7 541	1 282

Employee remuneration and other benefits

The information provided in this section has the objective of complying with the requirements of Bank of Portugal Notice 10/2011, and refers to the employees who meet certain of the following criteria corresponding to those set out in article 1(2)(a) to (c) of the aforesaid Notice:

a) perform functions with responsibility for the assumption of risks on behalf of the institution or its customers, with a material impact on the institution's risk profile, which includes employees who have regular access to privileged information and participate in decisions on the institution's management and business strategy;
b) perform the control functions covered by Bank of Portugal Notice 5/2008 (compliance, audit and risk control).

In applying the above-mentioned criteria and solely to restrict the employees to which the information to be provided to pursuant to article 17 of Notice 10/201, it was considered that the relevant employees correspond to those of the Remuneration Policy of Managers mentioned in the section 3.2 of the Governance Report of the BPI Group, namely:

- employees considered as "managers" for purposes of the provisions of article 248º-B of the Portuguese Securities Code;
- employees that occupy first and second tier positions in departments which perform control functions.

In the first half 2015, the universe defined above encompassed 24 employees.

In the first half of 2015, the remuneration paid to the above totalled 2 584 thousand euro split between fixed remuneration of 1 300 thousand euro, long service premium of 3 thousand euro and variable remuneration of 1 281 thousand euro. The fixed remuneration includes 41 thousand euro relating to seniority payments.

In the first half of 2015 the aggregate amount of annual pension rights acquired by the employees under review was 1 386 thousand euro.

The breakdown of the remuneration and pension rights indicated above between the above-mentioned two groups was the following:

Amounts in euro

	Control functions	Other functions
Employees	12	12
Fixed remuneration	473 444	826 072
Variable remuneration	949 363	331 407
Long service premium		3 167
Total remuneration	1 422 807	1 160 646
Pension rights acquired	515 603	870 648

There is no deferred remuneration (not paid) awarded to the above group of employees.

There is no deferred remuneration due, paid or subject to reduction as a result of the adjustment introduced based on individual performance.

No new employees were recruited in the first half of 2015 who fall within this group.

No payments were made in the first 2015 for early termination of employment contracts.

1 Financing obtained for keeping in the portfolio of BPI shares resulting from the exercise of the RVA options.
2 Excluding members from 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 June 30, 2015 were as follows:

	Shares[1]									
	Held at Dec. 31, 14	Purchases	Sales	Held at Jun. 30, 15	Value at Jun. 30, 15[2]	Shares pledged in guarantee A	Shares pledged in guarantee B	Shares pledged in guarantee C	Loans D	Loans E
Artur Santos Silva	500 000			500 000	509					
Fernando Ulrich [3]	2 092 180			2 092 180	2 130	1 585 040	348 510		4 173	719
Alfredo Rezende de Almeida	2 250 000			2 250 000	2 291					
António Domingues [3]	56 042			56 042	57					
António Lobo Xavier										
Armando Costa Leite de Pinho										
Carla Bambulo										
Carlos Moreira da Silva	66 333			66 333	68					
Edgar Alves Ferreira	227 273			227 273	231					
Ignacio Alvarez-Rendueles										
Isidro Fainé Casas										
João Pedro Oliveira e Costa [3]	10 708			10 708	11					
José Pena do Amaral [3]	184 913			184 913	188	132 231			169	
António Massanel Lavilla [4]										
Manuel Ferreira da Silva [3]	930 884			930 884	948			300 000		
Marcelino Armenter Vidal										
Maria Celeste Hagatong [3]	885 151			885 151	901	171 110	48 815		375	99
Mário Leite da Silva										
Pedro Barreto [3]	500 000			500 000	509	378 399	94 600		615	154
Tomaz Jervell	15 680			15 680	16					
Vicente Tardio Barutel										

A - Shares which at June 30, 2015 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.

B - Shares which at June 30, 2015 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.

C - Shares which at June 30, 2015 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).

D - Amount owed at June 30, 2015 on the loan referred to in A.

E - Amount owed at December 31, 2014 on the loan referred to in B.

[1] Includes securities held by their spouses.

[2] Fair value of the shares.

[3] Member of the Executive Committee.

[4] Submitted his resignation on June 25, 2015, effective as from July 29.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholder position of the members of the Board of Directors in terms of options held at June 30, 2015 was as follows:

	Options1			
	Held at Dec. 31, 14	Purchases	Exercise[2]	Held at Jun. 30, 15
Artur Santos Silva				
Fernando Ulrich [3]				
Alfredo Rezende de Almeida				
António Domingues [3]	426 820			426 820
António Lobo Xavier				
Armando Costa Leite de Pinho				
Carla Bambulo				
Carlos Moreira da Silva				
Edgar Alves Ferreira				
Ignacio Alvarez-Rendueles				
Isidro Fainé Casas				
João Pedro Oliveira e Costa [3]	127 249			127 249
José Pena do Amaral [3]	358 530			358 530
António Massanel Lavilla [4]				
Manuel Ferreira da Silva [3]	557 256		154 355	402 901
Marcelino Armenter Vidal				
Maria Celeste Hagatong [3]				
Mário Leite da Silva				
Pedro Barreto [3]	667 237		308 707	358 530
Tomaz Jervell				
Vicente Tardio Barutel				

1 Includes securities held by their spouses.

2 Includes extinction by lapsing.

3 Member of the Executive Committee.

4 Submitted his resignation on June 25, 2015, effective as from July 29.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investmento, in terms of the shares held at June 30, 2015 was as follows:

	Shares										
	Held at Dec. 31, 14	Purchases	Sales	Held at Jun. 30, 15	Value at Jun. 30, 15[1]	Unavailable shares A	Shares pledged in guarantee B	Shares pledged in guarantee C	Shares pledged in guarantee D	Loans E	Loans F
Alexandre Lucena e Vale	155 308			155 308	158		40 594	18 694		101	39
Fernando Costa Lima	81 124			81 124	83						
José Miguel Morais Alves	35 517			35 517	36	4 487					

A - Shares attributed under the RVA program, the availability of which at June 30, 2015 is subject to a resolution condition.

B - Shares which at June 30, 2015 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.

C - Shares which at June 30, 2015 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscription rights under the capital increase.

D - Shares which at June 30, 2015 were pledged in guarantee for purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).

E - Amount owed at June 30, 2015, on the loan referred to in B.

F - Amount owed at June 30, 2015, on the loan referred to in C.

[1] Fair value of the shares.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, members of the Board of Directors of Banco Português de Investmento, in terms of the options held at June 30, 2015 was as follows:

	Options			
	Held at Dec. 31, 14	Purchases	Exercise[1]	Held at Jun. 30, 15
Alexandre Lucena e Vale	121 305			121 305
Fernando Costa Lima	251 793		55 127	196 666
José Miguel Morais Alves	119 074			119 074

[1] Includes extinction by lapsing

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the other directors of Banco BPI, in terms of shares and options held at June 30, 2015 was as follows:

	Shares[1]					Options[1]			
	Held at Dec. 31, 14	Purchases	Sales	Held at Jun. 30, 15	Value at Jun. 30, 15[2]	Held at Dec. 31, 14	Purchases	Exercise[3]	Held at Jun. 30, 15
Manuel Maria Meneses	114 179			114 179	116	103 801		61 099	42 702
Francisco Xavier Avillez	200 001			200 001	204	314 410			314 410
Susana Trigo Cabral	38 181			38 181	39				
Luis Ricardo Araújo	70 000			70 000	71	222 557		33 689	188 868
Graça Graça Moura	40 228			40 228	41				
Ana Rosas Oliveira	22 098			22 098	22	51 306			51 306
João Avides Moreira	20 892			20 892	21	96 879		15 313	81 566

1 Includes securities held by their spouses.

2 Fair value of shares.

3 Includes extinction by lapsing.

Artur Santos Silva

Has not traded any shares.

Fernando Ulrich

Has not traded any shares.

At June 30, 2015 his spouse held 58 724 Banco BPI shares

Alfredo Rezende de Almeida

Has not traded any shares.

António Domingues

Has not traded any shares.

António Lobo Xavier

Does not hold and has not traded any Banco BPI shares.

António Massanell Lavilla

Does not hold and has not traded any Banco BPI shares.

Resigned on June 25, 2015.

Is Vice-President of CaixaBank, S.A.

For further information about the changes and participation of CaixaBank, S.A. in Banco BPI's capital, see the information below concerning the member Isidro Fainé Casas.

Armando Costa Leite de Pinho

Does not hold and has not traded any Banco BPI shares.

At June 30, 2015, Arsopi – Holding, SGPS, S.A., of which he is President of the Board of Directors. owned 2 942 267 Banco BPI shares.

At June 30, 2015, ROE, SGPS, S.A., of which he is President of the Board of Directors, owned 4 442 291 Banco BPI shares.

At June 30, 2015, Security, SGPS, S.A., of which he is President of the Board of Directors, owned 3 414 404 Banco BPI shares.

Carla Bambulo

Does not hold and has not traded any Banco BPI shares.

At June 30, 2015, Allianz Europe, Ltd, owned 120 553 986 Banco BPI shares.

Carlos Moreira da Silva

Has not traded any shares.

Edgar Alves Ferreira

Has not traded any shares.

At June 30, 2015, Violas Ferreira Financial, S.A., of which he is a member of the Board of Directors, owned 38 836 119 Banco BPI shares.

Ignacio Alvarez Rendueles

Does not hold and has not traded any Banco BPI shares.

Is Executive 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 Patronato de la Fundacion Bancaria Caixa d'Estalvis i Pensiones de Barcelona "la Caixa" and President of Criteria CaixaHolding, S.A., which controls CaixaBank, S.A., and is also President of CaixaBank, S.A.

At June 30, 2015 Caixa Bank, S.A. owned a total of 642 462 536 Banco BPI shares.

João Pedro Oliveira e Costa

Has not traded any shares.

José Pena do Amaral

Has not traded any shares.

Manuel Ferreira da Silva

Has not traded any shares.

On March 11, 154 335 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

On June 30, 2015 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

Has not traded any shares.

At June 30, 2015 her husband held 407 316 shares.

Mário Leite da Silva

Does not hold and has not traded any Banco BPI shares.

Is President of the Board of Directors of Santoro Finance – Prestação de Serviços, S.A. and President of the Board of Directors of Santoro Financial Holdings, SGPS, S.A. which has full control over it.

At June 30, 2015 Santoro Finance – Prestação de Serviços, S.A. owned 270 643 372 Banco BPI shares.

Pedro Barreto

Has not traded any shares.

On March 11, 308 707 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

Tomaz Jervell

Has not traded any shares.

At June 30, 2015 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

Does not hold and has not traded any Banco BPI shares.

Alexandre Lucena e Vale

Has not traded any shares.

Fernando Costa Lima

Has not traded any shares.

On March 11, 55 127 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

José Miguel Morais Alves

Has not traded any shares.

Manuel Maria Meneses

Has not traded any shares.

On March 11, 61 099 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

Francisco Xavier Avillez

Has not traded any shares.

Susana Trigo Cabral

Has not traded any shares.

Luís Ricardo Araújo

Has not traded any shares.

On March 11, 33 689 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

Graça Graça Moura

Has not traded any shares.

At June 30, 2015 her husband owned 27 677 Banco BPI shares.

Ana Rosas Oliveira

Has not traded any shares.

At June 30, 2015 her husband held 4 659 Banco BPI shares and 7 871 options on Banco BPI shares.

João Avides Moreira

Has not traded any shares

On March 11, 15 313 call options over Banco BPI shares relating to the 2009 RVA program lapsed.

4.53. Subsequent events

Resolution Fund

In accordance with a communication of the Bank of Portugal dated August 3, 2014, it was decided to apply a resolution measure to Banco Espírito Santo, S.A., which consists of the transfer of most of its business to a transition bank, called "Novo Banco", created especially for that purpose. In accordance with the community norm, capitalization of "Novo Banco" is ensured by the Resolution Fund, created by Decree-Law 31-A / 2012 of February 10. As provided for in the Decree-Law, the Resolution Fund is resourced from payment of contributions due by the institutions participating in the Fund and contribution from the banking sector. In addition, the Decree-Law provides that if such resources are insufficient for fulfillment of its obligations other financing means can be used, such as: (i) special contributions from credit institutions; and (ii) loans granted.

In the specific case of the resolution measure relating to Banco Espírito Santo, S.A., the Resolution Fund provided 4.9 thousand million euro to pay up the share capital of "Novo Banco". Of this amount, 377 million euro corresponds to the Resolution Fund's own financial resources, resulting from the contributions already paid by the participating institutions and from contributions 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.

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 December 31, 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 December 31, 2013 calculated according to the EBA rules.

Regulation and supervision equivalence in Angola

In accordance with the statement published by Banco BPI on December 16, 2014, the European Commission published under, among other provisions, paragraph 7 of Article 114 of Regulation (EU) 575/2013 of June 26, 2013 (CRR), the list of countries with regulations and supervision equivalent to those of the European Union. The list includes 17 countries or territories and does not include the Republic of Angola. Consequently, as from January 1, 2015 the indirect exposure in kwanzas of Banco BPI: (i) to the Angolan State[1], and (ii) to the Banco Nacional de Angola (BNA)[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 January 1, 2015, the indirect exposure in kwanzas of Banco BPI to the Angolan State and the Banco Nacional de Angola (BNA) is no longer weighted at 0% or 20% depending on the exposure, in the calculation of capital ratios, and started being weighted at 100%.

Considering the fact that Banco BPI adhered to the Special Regime for Deferred Tax Assets and the implementation of new risk weights for indirect exposure of Banco BPI to the Angolan State and BNA, the proforma Common Equity Tier 1 (CET1) ratios at December 31, 2014 would be:

- CET1 "Phasing in" (rules applicable in 2014): 10.2% (2.0 p.p. lower than the ratio calculated considering the risk weights currently used);
- 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 January 1, 2015, the limit to large exposures.

Banco BPI requested the European Central Bank (ECB) to approve a change of the consolidation method of BFA, in order to start applying, for prudential purposes, the equity consolidation method, which the ECB has not received favorably.

Banco BPI is exploring solutions to accommodate the limit of large exposures resulting from the exposure of Banco de Fomento de Angola to the Angolan State and to the Banco Nacional de Angola.

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.

[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.

Statement

DECLARATION REFERRED TO IN ARTICLE 246 (1) C) OF THE SECURITIES CODE

Article 246 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of the Executive Committee of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows:

"I declare in the terms and for the purposes for article 246 (1) (c) of the Securities Code that, to the best of my knowledge, the financial statements and the directors' report of Banco BPI, S.A., relating to the 1st half of 2015, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report contains an indication of the important events which occurred in the 1st half of 2015 and their impact on the respective financial statements, as well as a description of the principal risks and uncertainties for the six following months."

Fernando Ulrich	(Chairman)
António Domingues	(Deputy-Chairman)
José Pena do Amaral	(Member)
Maria Celeste Hagatong	(Member)
Manuel Ferreira da Silva	(Member)
Pedro Barreto	(Member)
João Pedro Oliveira e Costa	(Member)

26 August 2015

Audit report prepared by an auditor registered at the Portuguese Securities Market Commission (CMVM)

AUDIT REPORT PREPARED BY AN AUDITOR REGISTERED AT THE PORTUGUESE SECURITIES MARKET COMMISSION (CMVM) ON THE HALF YEAR CONSOLIDATED INFORMATION

(Amounts expressed in thousands of Euros – t. euro)

(Translation of a report originally issued in Portuguese – Note 5)

Introduction

1. In compliance with the Portuguese Securities Market Code (Código dos Valores Mobiliários) we hereby present our Audit Report on the consolidated financial information contained in the Directors' Report and on the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the six-month period ended June 30, 2015 which comprise the Consolidated Balance Sheet as of June 30, 2015 (that reflects total assets of 41,434,214 t. euro and total shareholders' equity of 2,621,016 t. euro, including consolidated net income of 76,178 t. euro), the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the six-month period then ended and the corresponding Notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as endorsed by the European Union, that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position, their results or their comprehensive income.

3. Our responsibility is to examine the consolidated financial information contained in the documents of account referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. This examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors of the Bank, used in their preparation. This examination also included verifying the consolidation procedures used, application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated documents of account. We believe that the examination performed provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and subsidiaries as of June 30, 2015, the consolidated income and comprehensive income from their operations, the changes in their consolidated shareholders' equity and their consolidated cash flows for the six-month period then ended in conformity with the International Financial Reporting Standards as endorsed by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Report on other legal requirements

6. It is also our opinion that the financial information included in the consolidated Directors' Report is consistent with the consolidated financial statements for the six-month period ended June 30, 2015.

Lisbon, August 31, 2015

Deloitte & Associados, SROC S.A.
Represented by António Marques Dias