Banco Popular Portugal, S.A.

Interim Report and Accounts

Half Year 2016

Popular

This is a mere translation of the original Portuguese documents prepared by Banco Popular Portugal, S.A., which was made with the single purpose of simplifying their consultation to English speaking stakeholders. In case of any doubt or contradiction between these and the original documents, their Portuguese version prevails.

Table of Contents

General Information

Banco Popular Portugal, S.A., was founded on 2 July 1991. The head office is located at 51 Ramalho Ortigão in Lisbon. It is registered at the Lisbon Commercial Registry under the taxpayer No. 502.607.084. The Bank adopted its current corporate name in September 2005 to the detriment of its former name 'BNC-Banco Nacional de Crédito, S.A.'. Banco Popular Portugal is a member of the Deposit Guarantee Fund and its current share capital is 513 million euros.

The financial and statistical data provided herein were prepared according to analytical criteria based on the utmost objectivity, detail, reporting transparency and consistency over time, from the financial information periodically sent to the Bank of Portugal. The financial statements are presented in accordance with the legislation in force in 2016, particularly those issued by the Bank of Portugal regarding the presentation of accounting information. The current interim financial information was not audited or officially reviewed.

The interim management report, the half-year accounts, and accompanying documents are available at Banco Popular Portugal's Internet website: *www.bancopopular.pt.*

Board and Management

Board of the General Meeting

Augusto Fernando Correia Aguiar-Branco - Chairman

João Carlos de Albuquerque de Moura Navega - Secretary

Board of Directors

Carlos Manuel Sobral Cid da Costa Álvares - Chairman

Pedro Miguel da Gama Cunha - Member

Tomás Pereira Pena - Member

Susana de Medrano Boix - Member

Supervisory Board

Rui Manuel Ferreira de Oliveira - Chairman

António Luis Castanheira da Silva Lopes

António Manuel Mendes Barreira

Rui Manuel Medina da Silva Duarte - Alternate

Statutory Auditor

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., represented by António Alberto Henriques Assis or José Manuel Henriques Bernardo

Alternate Statutory Auditor

Jorge Manuel Santos Costa, Statutory Auditor (No. 847)

Banco Popular Portugal Financial Highlights

(million euros, unless otherwise stated)

Banco Popular Portugal - key performance indicators

individual basis

	Jun-16	Change (% and p.p.)	Jun-15
Turnover			
Total assets under management	10 503	14.6%	9 167
Total on-balance sheet assets	9 569	16.9%	8 185
Own funds (a)	772	6.1%	728
Customer funds	5 757	11.6%	5 159
on-balance sheet funds	4 823	15.5%	4 177
other intermediated customer funds	934	-4.9%	982
Loans and advances to customers	6 311	6.7%	5 918
Contingent risks	430	8.2%	398
Solvency ***(CRD IV/CRR phasing in)***			
Total capital ratio	13.8%	1.1	12.7%
Tier 1 capital ratio	13.8%	1.8	12.0%
Common Equity Tier 1	13.8%	1.8	12.0%
Risk Management			
Total risks	6 742	6.7%	6 316
Past-due loans	397	9.0%	364
Past-due loans for over 90 days	387	9.7%	353
Past-due loan ratio (%)	6.3%	0.1	6.1%
Past-due loan coverage ratio	88.9%	-15.1	103.9%
Earnings			
Net interest income	66.5	-1.6%	67.6
Banking income	90.5	-32.1%	133.3
Operating income	38.8	-50.0%	77.5
Income before tax	11.8	-74.3%	46.1
Net income	9.8	-68.8%	31.6
Profitability and efficiency			
Average net assets	8 725	7.3%	8 129
Average own assets	754	4.5%	721
ROA (%)	0.23%	-0.56	0.78%
ROE (%)	2.62%	-6.20	8.83%
Cost to income (%)	55.7%	14.9	40.8%
Per share data			
Final number of shares (millions)	513	7.8%	476
Average number of shares (millions)	495	3.9%	476
Share book value (€)	1.505	-1.5%	1.529
Earnings per share (€)	0.019	-498.0%	0.066
Other data			
Number of employees	1 159	-10.7%	1 298
Number of branches	165	-2.4%	169
Employees per branch	7.0	-8.5%	7.7

(a) After appropriation of results for each period

Interim Management Report

As at 30 June 2016, Banco Popular Portugal, S.A., reported shareholders' equity of 772,189 thousand euros on an individual basis (773,307 thousand euros on a consolidated basis after the integration of Popular Factoring, S.A.) - including the capital increase of 37 million euros to 513 million euros - managed over 10.5 billion euros of total assets, including customer funds in the amount of 5.7 billion euros. At the end of the first half of 2016, Banco Popular's net assets exceeded 9.5 billion euros both on an individual and on a consolidated basis. In this period, net profit on an individual basis amounted to 9.8 million euros and on a consolidated basis it exceeded 10.9 million euros.
The bank's activity was supported by a network of 165 branches and a team of 1,159 staff.

Banco Popular Portugal (Bank) offers a full range of products and services, together with the following companies that are also related with Banco Popular Español (BPE), the group to which it belongs:

- Popular Gestão de Activos, S.A., wholly owned by BPE, is a Fund Management Company that manages, among others, the securities and real estate investment funds commercialised by Banco Popular Portugal;

- Eurovida - Companhia de Seguros de Vida, S.A., is an insurance company that provides life and capitalisation insurance, and is 84.1% held by BPE and 15.9% held by Banco Popular Portugal;

- Popular Seguros - Companhia de Seguros, S.A., is wholly owned by Eurovida, and trades in non-life insurance products.

- Popular Factoring S.A. – On 31 December 2015, Popular Factoring, S.A., handed the Bank of Portugal a merger project with Banco Popular Portugal, S.A. The planned acquisition of the Qualifying Holding, owned by Banco Popular Español, S.A. (sole shareholder of Banco Popular Portugal, S.A.), took place in April 2016, following the approval of the Bank of Portugal, by means of a share capital increase of Banco Popular Portugal, S.A., fully subscribed by its sole shareholder, Banco Popular Español, S.A., through contributions in kind substantiated by the Qualifying Holding.

As at 30 June 2016, the Bank fully owned Popular Factoring, S.A., after acquiring the qualifying holding from Banco Popular Español, S.A., (which amounted to 99.83%) and compulsorily purchasing the remaining shares.

Popular Factoring, S.A. (henceforth 'consolidated company') is presented in the Bank's consolidated accounts under the full consolidation method.

Macroeconomic scenario

According to Statistics Portugal, gross domestic product (GDP) grew by 0.9% between January and March 2016, when compared with the same period last year. This year-on-year growth was lower than in the previous quarter (1.3% growth) due to a slowdown in exports of goods and services and a lower contribution of domestic demand via the slowdown in investment. Net external demand contributed negatively to the year-on-year GDP change, which was coupled with a deceleration of imports of goods and services that together contributed to reduce the openness of the economy.

The several components of domestic demand behaved differently. Private consumption increased by 2.9% year on year mostly due to the purchase of durable goods. It was also boosted by the increase of disposable income and the demand of consumer loans, thus favourably contributing to the total amount. Conversely, regarding the investment component (-0.6% year on year) there was a decrease in gross fixed capital formation (GFCF) by -2.2% mostly associated with the construction sector but also extended to machinery, equipment, and transports.

The year-on-year growth trend of exports slowed down in the first quarter of 2016 (2.2% after 2.8% in the previous quarter), reflecting the deceleration of both exports of goods and services. Tourism was the exception since it increased substantially in the first quarter.

In the first quarter of 2016, the year-on-year growth trend of imports, mostly of goods, decelerated (4.6% compared with 5.3% in the same period last year).

Regarding the unemployment rate, according to Statistics Portugal it eased off to 12.4% in March 2016, with a downward trend both when compared with the same period last year and on a monthly basis. Inflation levels remained low with a year-on-year change in the harmonized index of consumer prices by 0.4% at the end of the first quarter of 2016.

Portuguese GDP growth in the first quarter was lower than that of the Euro Zone, whose economy grew by 1.7% when compared with the same period last year. However, in the previous quarters and over the year, the recovery rhythm of the economic activity has been similar to the Euro Zone average.

The projections of the Bank of Portugal point to a continuous gradual economic recovery process throughout the year. After a 1.5% GDP growth in 2015, a slight deceleration to 1.3% is expected in 2016, followed by 1.6% and 1.5% increases (revised downwards) for 2017 and

2018 respectively. Exports and investment are expected to post more robust growth in the years after 2016, given that both domestic demand and private and public consumption will have a slower rhythm when compared with 2016, which is compatible with the deleveraging of both private economic agents and the State. The prevalence of historically low interest rates and the monetary policy in terms of the Euro Zone, together with the existence of positive domestic primary balances, the need to achieve the goals defined for public finances, and lastly the growth of international trade and of the main economies whose demand is targeted at the Portuguese economy will be important factors for the confirmation of these projections and the recovery.

The projected growth for the Portuguese economy is, however, compatible with a progressive reduction in the unemployment rate and the inflation rate is expected to have an upward trend until 2018.

Commercial strategy

In the first half of 2016, Banco Popular strengthened its strategic positioning in the corporate segment, which resulted in an increased market share. This growth in the corporate market was coupled with the strengthening of the Bank's positioning regarding private customers, with the development of several initiatives and solutions that have contributed to approximate the Bank and its customers.

Regarding the private customer segment, there was an increase of around 12.8 thousand new customers in the first half of 2016. This growth, in line with 2015, has mostly resulted from the excellent response of the market to the Bank's offer in terms of residential mortgage loans, as well as the member-get-member strategy or via corporate customers.

In the scope of partnerships, we would like to highlight the launch of a new car loan together with Cofidis, the agreement signed with Remax/Melon named 'Casa de Sonho' (Dream House), and the agreement signed with DECO that offers an exclusive residential mortgage loan to DECO members (Banco Popular's home loan was considered the right choice for consumers by DECO). By promoting several initiatives, we have also strengthened our relationship with Médis and TAP, namely through the Victoria loyalty programme.

In the Corporate segment, the market further recognized Banco Popular has a SME-targeted bank, which allowed the Bank to raise 4.1 thousand new customers. In spite of the fierce competition and the still slight recovery of the national economy, Banco Popular has managed to increase the volume of loans granted, with a corresponding increase in terms of market share and customer loyalty.

Customer care, operational swiftness, and diversified offer are still key factors for the high satisfaction levels that Corporate customers feel towards Banco Popular. Banco Popular's strategy will maintain the transversal support to every sector in the economy and thus will keep on providing almost every financing arrangement that a company or a sole trader may need in their activity. Accordingly, credit growth exceeded 336.5 million euros in the first half of 2016.

Aware of the need to provide our customers with the best solutions and the best possible experience, we have implemented several improvements in the digital channels, which guarantee better usability, greater offer, and more information, always with added security.

Also concerning digital channels, we would like to highlight Banco Popular's App, which is increasingly being downloaded (both iOS and Android versions), and on which Banco Popular has been focusing its attention, not only by including more and more useful information, but also continuously improving its functionalities.

In terms of Brand and Communication, Banco Popular has maintained the strategy initiated in 2015 based on an always on approach and an integrated 360º campaign, trying to be present in the main media and conveying values that characterize its relationship with its customers: Proximity, Flexibility, and Swiftness.

However, a vital aspect continues to be carrying out several sectoral communication initiatives, focusing on important topics in the areas of Tourism, Agriculture, and Industry, trying to obtain from some of the main business people that operate in these sectors answers or solutions to the many challenges that our economy faces.

The proximity to the corporate world and its customers has led Banco Popular to maintain its marketing strategy, participating in important national trade fairs and conferences, and to sponsor various programmes, sharing its market experience as an Iberian Bank that already counts on 90 years in the market.

Income and profitability

The income statement is summarised in Table 1 with reference to the first half of 2016 and the same period in 2015, pursuant to regulations issued by the Bank of Portugal, namely as regards the international accounting standards, including the restatement of 2015 individual accounts. Table 1a also shows the consolidated income statement for the first half of 2016 resulting from the full acquisition of Popular Factoring, S.A., after having handed the merger project to the Bank of Portugal at the end of 2015 with a view to integrate the factoring activity in the Bank.

Table 1 . Individual and Consolidated Income Statement (2015 restated)

(€ thousand)

		Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Individual change Amount	Individual change %
1	Interest and similar income	97 404	94 662	106 630	- 11 968	-11.2
2	Interest and similar charges	35 989	35 989	46 213	- 10 224	-22.1
3	**Net interest income** (1-2)	**61 415**	**58 673**	**60 417**	**- 1 744**	**-2.9**
4	Loan-related fees and commissions	8 019	7 853	7 158	695	9.7
5	**Net interest income** (3+4)	**69 434**	**66 526**	**67 575**	**- 1 049**	**-1.6**
6	Return on equity instruments	94	94	62	32	51.6
7	Net fees and commissions	17 995	18 518	17 987	531	3.0
8	Net income from financial transactions	18 735	18 733	805	17 929	2228.5
9	Net gains from the sale of other assets	- 6 023	- 6 023	42	- 6 065	-14415.9
10	Other operating income	- 7 525	- 7 396	46 804	- 54 200	-115.8
11	**Banking income** (5+6+7+8+9+10)	**92 710**	**90 452**	**133 275**	**- 42 822**	**-32.1**
12	Personnel expenses	25 415	24 835	29 965	- 5 130	-17.1
13	Administrative overheads	25 709	25 535	24 403	1 132	4.6
14	Depreciation	1 335	1 322	1 456	- 134	-9.2
15	**Operating income** (11-12-13-14)	**40 251**	**38 760**	**77 451**	**- 38 691**	**-50.0**
16	Provisions net of recoveries and write-offs	737	737	- 838	1 575	187.9
17	Net adjustments associated with customer loans	18 489	18 499	27 993	- 9 494	-33.9
18	Net impairment of other assets	7 686	7 686	4 168	3 518	84.4
19	**Profit before tax** (15-16-17-18)	**13 339**	**11 838**	**46 128**	**- 34 290**	**-74.3**
20	Income tax	2 385	2 002	14 553	- 12 551	-86.2
21	**Net income for the period** (19-20)	**10 954**	**9 836**	**31 575**	**- 21 739**	**-68.8**

Net interest income

In the first half of 2016, net interest income without loan fees and commissions stood at 58.7 million euros, 1,744 thousand euros less, or -2.9%, when compared with the same period in 2015. This result was derived mostly from a drop by over 11% in interest and similar income and the decrease by over 22% in interest and similar charges. The Bank maintained its policy of reducing the cost of its liabilities initiated in prior years, which resulted in savings of 10.2 million euros in interest and similar charges. This decrease was divided into around 10.4 million euros due to the favourable price effect and around 0.2 million euros due to unfavourable volume and maturity effects.

As far as total investment is concerned, there was a decrease by almost 12 million euros in terms of interest and similar income, more than 10.2 million of which due to loans granted and 2.6 million due to the decrease in the financial asset portfolio.

The volume and maturity effects of investments contributed positively with around 5.4 million euros to net interest income, which was however insufficient to offset the strong unfavourable price effect in the amount of 17.4 million euros, of which 16.7 million euros are due to loans granted (see Table 2).

The necessary combination of the two components of net interest income confirms however the careful management of interest rates in a historically unfavourable scenario.

Table 2 . Annual changes to net interest income - Causal analysis Jun/2016 - Jun/2015 (not restated)

(€ thousand)

Changes in:	Due to changes in Turnover	Due to changes in interest rates	Due to changes in period	Total change
Loans and advances to customers	6 053	- 16 711	435	- 10 223
Deposits with banks	736	170	1	907
Financial assets	- 1 936	- 842	133	- 2 645
Other assets	- 17	10	0	- 7
Total Investments	**4 836**	**- 17 373**	**569**	**- 11 968**
Deposits from customers	2 834	- 11 899	152	- 8 913
Deposits from banks	83	- 132	11	- 38
Own assets	0	0	0	0
Other liabilities	- 2 961	1 615	73	- 1 273
Total assets	**- 44**	**- 10 416**	**236**	**- 10 224**
Net interest income	**4 880**	**- 6 957**	**333**	**- 1 744**

Regarding average balances and rates, and according to Table 3, average assets at the end of the first half of 2016 were supported by customer funds (around 55%) and deposits from banks (around 34%). Loans and advances to customers is still the main component of assets, representing around 71% of total average assets. In the first half of 2016, compared with the same period last year, there was an important and balanced increase, on average, both of loans granted and of customer funds by around 445 million euros.

Table 3 . Evolution of equity and average annual rates. Net interest income.

(€ thousand & %)

	Jun-16				Jun-15 (not restated)			
	Average Balance	Dist. (%)	Income or expense	Average Rate (%)	Average Balance	Dist. (%)	Income or expense	Average Rate (%)
Loans and advances to customers (a)	6 209 119	71.2%	72 760	2.36	5 763 549	70.5%	82 984	2.90
Deposits with banks	559 448	6.4%	1 036	0.37	229 386	2.8%	130	0.11
Financial assets	1 754 698	20.1%	20 804	2.39	1 915 960	23.5%	23 448	2.47
Other assets	201 676	2.3%	61	0.06	261 026	3.2%	68	0.05
Total Assets (b)	**8 724 941**	**100%**	**94 662**	**2.19**	**8 169 922**	**100%**	**106 630**	**2.63**
Deposits from customers (c)	4 756 485	54.5%	21 021	0.89	4 311 287	52.8%	29 933	1.40
Deposits from banks	2 950 608	33.8%	2 050	0.14	2 834 548	34.7%	2 088	0.15
Equity accounts	754 234	8.6%	0	0.00	714 818	8.7%	0	0.00
Other liabilities	263 613	3.0%	12 918	9.88	309 269	3.8%	14 192	9.25
Total Liabilities and Shreholders' Equity (d)	**8 724 941**	**100%**	**35 988**	**0.83**	**8 169 922**	**100%**	**46 213**	**1.14**
Customer spread (a - c)				**1.47**				**1.50**
Net Interest Income (b - d)				**1.36**				**1.49**

Taking into consideration the evolution of the average interest rates of loans and deposits, we would like to stress that average assets stood at 8.7 Billion euros, with an overall profitability of 2.19%, which, when compared with the average cost of total resources allocated to the financing of assets (0.83%), has enabled an annual net interest income of 1.36%. However, we have to highlight the decrease by 13 basis points in net interest income when compared with the same period last year.

The policy of reducing the cost of liabilities, already implemented since mid-2014, has led this past year to a 51 basis points reduction in the annual average rate of customer funds, which stood at 0.89% at the end of the first half of the year, which compares with 1.40% in the same period last year (Table 3a). On the other hand, the average annual rate of loans granted dropped by 54 basis points, from 2.90% to 2.36%. Due to this combined effect, customer spread decreased by 3 basis points to 1.47%.

Table 3a . Evolution of annual average rates. Net interest income.

	Average annual rate Jun-16 (%)	Average annual rate Jun-15 (not restated) (%)	Change Jun-16 / Jun-15 (p.p.)
Loans and advances to customers (a)	2.36	2.90	-0.54
Deposits with banks	0.37	0.11	0.26
Financial assets	2.39	2.47	-0.08
Other assets	0.06	0.05	0.01
Total Assets (b)	**2.19**	**2.63**	**-0.44**
Deposits from customers (c)	0.89	1.40	-0.51
Deposits from banks	0.14	0.15	-0.01
Equity accounts	0.00	0.00	0.00
Other liabilities	9.88	9.25	0.64
Total Liabilities and Shareholders' Equity (d)	**0.83**	**1.14**	**-0.31**
Customer spread (a - c)	**1.47**	**1.50**	**-0.03**
Net Interest Income (b - d)	**1.36**	**1.49**	**-0.13**

Individual net interest income stood at 66.5 million euros at the end of the first half of 2016, which represents a -1.6% change when compared with the same period last year, i.e., around 1 million euros less. This rate of change was less negative due to the year-on-year increase by around 695 thousand euros in fees and commissions associated with the loans granted. On a consolidated basis, we would like to highlight the positive effect the merger with Popular Factoring had on net interest income by around 2,908 thousand euros, which allowed the consolidated net interest income to stand at 69.4 million euros at the end of the first half of 2016.

Banking income

In 2016, net fees and commissions charged to customers for the sale of products and services totalled 18.5 million euros, which corresponds to an increase by 3% when compared with the same period last year, i.e. around 531 thousand euros.

Complementing that information, Table 4 shows the main items that have contributed to the change in net fees and commissions in the past year. We would like to highlight the positive contribution of fees and commissions related with insurance brokerage (+53.3%), structuring financial operations (+34.5%), account management (+13.6%), and other net fees and commissions (+39.1%). The negative performance of some items, namely the decrease by 4.3% in fees related with collection and payment handling, -7.9% in terms of asset management fees, and -33.4% in fees related with guarantees and sureties, has contributed to weaken overall growth.

Table 4 . Net Fees and Commissions

(€ thousand)

	Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Individual change Amount	Individual change %
Commissions from guarantees and sureties	2 020	2 020	3 034	- 1 014	-33.4
Commissions from collection and payment handling (net)	6 152	6 152	6 430	- 278	-4.3
Commissions from asset management (net)	1 160	1 160	1 260	- 100	-7.9
Commissions from insurance brokerage	1 199	1 199	782	417	53.3
Commissions from account management	3 158	3 158	2 779	379	13.6
Commissions from processing services	796	796	774	22	2.8
Commissions from structuring financial operations	1 092	1 092	812	280	34.5
Other fees and commissions (net)	2 418	2 941	2 115	826	39.1
Total	**17 995**	**18 518**	**17 987**	**531**	**3.0**

Regarding the remaining items of the banking product, we would like to highlight the significant increase by almost 18 million euros in terms of financial transactions, due to the timely sale of some financial assets in the portfolio with a view to realize gains in a market context of relevant losses in the profitability levels of certain asset segments.

The item Other operating results had a negative performance of over 54 million euros, which is explained by the sale in the first half of 2015 of the business unit in charge of managing real estate assets, which allowed the Bank to realize capital gains of over 48.6 million euros at the time. This fact explains the decrease in banking product by over 42.8 million euros (-32.1%), which stood at around 90.4 million euros at the end of the first half of 2016 on an individual basis. On a consolidated basis, however, we would like to highlight the increase by 2.2 million euros when compared with individual figures due to the aforementioned merger with the factoring activity.

Operating income

In the first half of 2016, the Bank maintained the measures that have been implemented in previous years regarding its cost policy. As at 30 June 2016, operating expenses totalled 52.5 million euros on a consolidated basis and 51.7 million euros on an individual basis, which represents a decrease by over 4 million euros, i.e., -7,4% when compared with the same period last year.

From Table 5, we can see that personnel expenses on an individual basis amounted to 24.8 million euros, which corresponds to a decrease by 17.1%, when compared with the same period last year. This decrease is due to the aforementioned sale of the business unit in charge of managing real estate assets and credit exposures of customers associated with the real estate sector.

Administrative overheads totalled around 25.7 million euros on a consolidated basis and 25.5 million euros on an individual basis, which corresponds to a 4.6% increase, or around 1.1 million euros, when compared with the same period last year. Since cost control is visible in every item, this increase is due only to the costs associated with the management of real estate assets and credit exposures of costumers associated with the real estate sector that were not entirely offset by the remaining savings.

In terms of allocations for depreciation of fixed assets we have witnessed a positive performance (-134 thousand euros, or -9.2%) to around 1.3 million euros.

Table 5 . Operating Expenses

(€ thousand)

	Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Change Amount	Change %
Personnel expenses (a)	**25 415**	**24 835**	**29 965**	**- 5 130**	**-17.1**
Wages and salaries	17 577	17 180	21 687	- 4 507	-20.8
Social security charges	5 320	5 197	5 955	- 758	-12.7
Pension fund	2 225	2 225	2 011	214	10.7
Other expenses	293	233	312	- 79	-25.3
Administrative overheads (b)	**25 709**	**25 535**	**24 403**	**1 132**	**4.6**
External supplies	1 249	1 246	1 286	- 40	-3.1
Rents and leasing	2 182	2 139	2 219	- 80	-3.6
Communications	1 900	1 928	2 040	- 112	-5.5
Travel, hotel and representation	598	584	641	- 57	-8.9
Advertising and publications	1 031	1 010	1 995	- 985	-49.4
Maintenance of premises and equipment	1 622	1 621	1 527	94	6.1
Transports	528	528	625	- 97	-15.6
Fees and regular payment agreements	1 319	1 320	2 032	- 712	-35.0
Legal expenses	1 011	971	1 009	- 38	-3.8
IT Services	4 909	4 887	4 894	- 7	-0.1
Security, surveillance and cleaning	205	205	217	- 12	-5.5
Temporary work	1 976	1 976	2 010	- 34	-1.7
External consultants and auditors	461	432	268	164	61.0
SIBS	1 603	1 568	1 600	- 32	-2.0
Services rendered by Banco Popular Group	5 115	5 120	2 040	3 080	151.0
Other services					
Other operating expenses (c=a+b)	**51 124**	**50 370**	**54 368**	**- 3 998**	**-7.4**
Amortization for the period (d)	**1 335**	**1 322**	**1 456**	**- 134**	**-9.2**
Total (c+d)	**52 459**	**51 692**	**55 824**	**- 4 132**	**-7.4**

The weight of personnel expenses in operating costs stood at 48%, which compares with 55% at the end of the first half of 2015. In the first half of 2016, operating income amounted to 38.8 million euros, i.e. around 49.9% less than in the same period last year. This was mostly due to the negative performance of other operating results, where, in the first half of 2015, there were capital gains from the sale of the aforementioned business unit (around 48.6 million euros).

Net Income

Net income for the first half of 2016 stood at around 9.8 million euros, which compares with 32 million euros in the same period last year. This unfavourable performance was mostly due to the item Other operating results, because of the aforementioned capital gains in the first half of 2015, and occurred in spite of the positive performance of other items, namely fees and commissions, financial transaction results, personnel costs, and provisions.

Investments and assets

Total assets

As at 30 June 2016, Banco Popular's net assets amounted to around 9,569 million euros, 1,384 million euros more than in the same period last year, which corresponds to an increase by 16.9%.
Adjustments made to the size of the financial asset portfolio, the increase of customer loans and the decrease of funding from central banks as a counterpart of the funding from the parent company, and the inherent management of resources have contributed to this evolution.

Banco Popular also manages other customer funds applied in investment, savings and retirement instruments, which amounted to 934 million euros at the end of the first half of 2016, representing a 4.9% decrease when compared with the same period last year, mostly due to investment funds.

Therefore, total assets managed by the Bank amounted to 10,503 million euros at the end of the first half of 2016, which represents a 14.6% increase when compared with the same period last year.

Customer funds

As at 30 June 2016, the total amount of on- and off-balance sheet customer funds amounted to 5,757 million euros, 11.6% more when compared with the previous year. Table 6 shows the performance of total customer funds in the first halves of 2016 and 2015.

On-balance sheet funds, mostly via deposits from customers, totalled approximately 4,823 million euros, which corresponds to an increase by 15.5% when compared with the same period last year, i.e. an overall growth that exceeded 646 million euros both in terms of demand accounts and time deposits.

Demand accounts posted significant growth of over 406 million euros, or almost 40%, rising from 1,028 million euros to 1,434 million euros, while time deposits grew by 8%, i.e., around 250 million euros.

Table 6 . Customer funds					
(€ thousand)					
	Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Change Amount	%
CUSTOMER FUNDS :					
Deposits	**4 799 939**	**4 802 090**	**4 147 027**	**655 063**	**15.8**
Demand accounts	1 432 274	1 434 425	1 028 381	406 044	39.5
Time deposits	3 361 866	3 361 866	3 112 459	249 407	8.0
Savings accounts	5 799	5 799	6 187	- 388	-6.3
Cheques, payment orders and other funds	**7 568**	**7 568**	**9 578**	**- 2 010**	**-21.0**
Interest payable	**13 161**	**13 161**	**19 950**	**- 6 789**	**-34.0**
ON-BALANCE SHEET FUNDS (a)	**4 820 668**	**4 822 819**	**4 176 555**	**646 264**	**15.5**
Disintermediation funds					
Investment funds	197 014	197 014	254 148	- 57 134	-22.5
Investment and capitalisation insurance	496 834	496 834	502 716	- 5 882	-1.2
Retirement insurance plans	102 427	102 427	100 075	2 352	2.3
Portfolio management	137 991	137 991	125 082	12 909	10.3
OFF-BALANCE SHEET FUNDS (b)	**934 265**	**934 265**	**982 021**	**- 47 755**	**-4.9**
TOTAL CUSTOMER FUNDS (a + b)	**5 754 933**	**5 757 084**	**5 158 576**	**598 508**	**11.6**

Off-balance sheet funds - which include investment fund applications, retirement plans, funds raised through investment insurance products, and assets managed through private banking - decreased by 4.9%, dropping from around 982 million euros at the end of the first half of 2015 to around 934 million euros as at 30 June 2016. The performance of this component was due to a decrease in investment and capitalization insurance and investment funds by over 63 million euros since portfolio management grew by 10.3%.

As at 30 June 2016, Banco Popular Portugal was the depositary of 12 investment funds managed by Popular Gestão de Activos, whose total portfolio amounted then to over 197 million euros. Table 7 shows the assets contained in each of the investment funds managed with reference to the end of the first halves of 2016 and 2015.

Table 7 . Investment Fund Portfolio (asset value)				
(€ thousand)				
Funds	Jun-16	Jun-15	Change Amount	%
Popular Acções	7 485	8 135	- 650	-8.0
Popular Euro Obrigações	5 492	10 457	- 4 965	-47.5
Popular Global 25	43 658	52 298	- 8 640	-16.5
Popular Global 50	40 440	48 407	- 7 967	-16.5
Popular Global 75	20 606	22 406	- 1 800	-8.0
Popular Tesouraria	20 044	15 751	4 293	27.3
Popular Objectivo Rendimento 2015	0	2 167	- 2 167	-100.0
Popular Objectivo Rendimento 2021	968	1 270	- 302	-23.8
Popular Predifundo	0	10 423	- 10 423	-100.0
ImoPopular	5 418	20 726	- 15 308	-73.9
Imourbe	12 246	10 353	1 893	18.3
Popular Arrendamento	40 656	51 754	- 11 099	-21.4
Total	**197 014**	**254 148**	**- 57 134**	**-22.5**

Banco Popular Portugal also sells Eurovida's retirement plans and investment insurance, holding an equity stake of 15.9% in that company.

Lending operations

Loans and advances to customers amounted to around 6,311 million euros at the end of the first half of 2016, representing 66% of total assets, or 62.3% if we consider total net loans. Loans and advances to corporate customers and the public sector totalled around 3,490 million euros (excluding other securitized loans and overdue loans), which corresponds to around 63% of total lending operations. Loans and advances to private customers represented 37% of total lending, having increased by 5.9%, which corresponds to 113.8 million euros more, totalling over 2,045 million euros.

The following table shows the distribution of loans and advances to customers in the first halves of 2016 and 2015.

Table 8 . Loans and advances to customers

(€ thousand)

	Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Change Amount	Change %
Loans and advances to customers (a)					
Private Companies and Public sector	3 539 925	3 489 904	3 280 854	209 050	6,4
Private individuals	2 045 137	2 045 137	1 931 276	113 861	5,9
Residential mortgage loans	1 660 017	1 660 017	1 537 934	122 083	7,9
Personal and consumer loans	30 758	30 758	36 880	- 6 122	-16,6
Other personal lending	354 361	354 361	356 462	- 2 101	-0,6
Total	**5 585 062**	**5 535 041**	**5 212 130**	**322 911**	**6,2**
Other loans (represented by securities) (b)	**380 251**	**380 251**	**336 937**	**43 314**	**12,9**
Interest and commissions receivable (c)	**- 861**	**- 496**	**4 898**	**- 5 394**	**-110,1**
Past-due loans and interest (d)					
Due within 90 days	16 376	9 707	11 236	- 1 529	-13,6
Over 90 days	390 409	386 978	352 710	34 268	9,7
Total	**406 785**	**396 685**	**363 946**	**32 739**	**9,0**
Total Gross Lending (a + b + c + d)	**6 371 237**	**6 311 481**	**5 917 911**	**393 570**	**6,7**
Impairment on loans and advances to customers	357 316	352 567	378 302	- 25 735	-6,8
Total Net Lending	**6 013 921**	**5 958 914**	**5 539 609**	**419 305**	**7,6**

The increase by almost 323 million euros in terms of loans granted, which represents 6.2% more when compared with the same period last year, was mostly due to the increase by around 209 million euros, or 6.4%, in loans granted to corporate customers and by 122 million euros, or 7.9%, in terms of mortgage loans, since the remaining types of consumer loans have decreased.

The amount of past-due loans totalled around 32.7 million euros, i.e. 9%.

The 419 million euro change in terms of total net loans profited from the decrease in loan impairment by around 25.7 million euros, thus representing a 7.9% increase when compared wit the same period last year and exceeding the 6.7% change in terms of gross loans.

On an individual basis, the amount of past-due loans and interest totalled approximately 396.7 million euros at the end of the first half of 2016, 9% or 396.7 million euros more, when compared with the same period last year. This category of loans represented 6.29% of total loans. Taking into consideration only loans that have been non-performing for more than 90 days this indicator stood at 6.13%.

Total non-performing loans on an individual basis amounted to over 912 million euros at the end of the first half of 2016, which represents around 14.45% of total loans and has showed an improving trend of 9% since the end of the first half of 2015. On a consolidated basis its weight on total loans decreased to 14.37%.

Table 9 . Past-due Loans and Non-performing Loans

(€ thousand)

	Jun-16 consolidated	Jun-16 individual	Jun-15 individual	Change Amount	% / p.p.
Past-due loans and interest	406 785	396 685	363 946	32 739	9.0
Past-due loans by more than 90 days	390 409	386 978	352 710	34 268	9.7
Non-performing loans	915 519	912 088	1 002 772	-90 684	-9.0
Past-due loans / total loans (%)	6.38	6.29	6.15		0.14
Past-due loans over 90 days / total lending (%)	6.13	6.13	5.96		0.17
Non-performing loans / total lending (%)	14.37	14.45	16.94		-2.49
Net non-performing loans / total net lending (%)	10.46	10.56	12.65		-2.10
Impairment on loans and advances to customers	357 316	352 567	378 302	-25 735	-6.8
Hedging ratio (%)	87.8	88.9	103.9		-15.1
memorandum item:					
Total lending	**6 371 237**	**6 311 481**	**5 917 911**	**393 570**	**6.7**

At the end of the first half of 2016, customer loan impairment on an individual basis stood at 352.5 million euros, i.e. 6.8% below figures at the end of June 2015.

Main risks and uncertainties

In the second half of 2016, and in spite of a slight recovery trend of the economic situation of the country, there are still many challenges ahead and therefore we need to take into consideration a series of situations that may originate certain risks to the development of Banco Popular's activity, namely those that may restrain the fulfilment of the goals defined in the Budget and in the Financing and Capital Plan.

At this point, we would like to identify the main risks that may have an impact on the activity of the Bank during the second half of 2016 and that may lead future results to be materially different from those expected, namely:

- In Portugal, and despite some positive signs, there are still some risks and uncertainties tied with the still frail socio-economical conditions and the uncertain political scenario that is dependant upon the discussion of the General Government Budget for 2017.
- In Europe, we would like to highlight that the European Central Bank has maintained an accommodative monetary policy by keeping the reference interest rate at low levels for a long period of time, and enforced a policy on refinancing lines to support the economy, while strengthening the construction of the Banking Union in the sense of maintaining financial stability and trust in the euro and the economies that comprise it.
- Future regulatory developments that may introduce additional challenges for the banking sector on the short term.

Risks associated with the Bank's activity:

Despite the several control mechanisms and the measures implemented to mitigate them, the Bank is exposed to specific risks in its activity, namely:

- Credit and Concentration Risk – This is the main risk that the Bank is exposed to; we cannot exclude the possibility of a decline in the quality of its assets.
- Market Risk – The Bank's trading portfolio is not very significant, thus we do not expect any relevant impact via this type of risk during the second half of 2016.
- Liquidity Risk – In the past few years, the Bank has significantly reduced its liquidity dependence on the parent company. However, in a possible crisis scenario, it might be more difficult to obtain funding via the financial markets; the impossibility of resorting to this financing source would imply an almost exclusive funding by the parent company.
- Interest Rate Risk – Although not expected, a significant change in interest rates might have a positive impact on net interest income.
- Exchange Rate Risk - The global currency position tends to be null and therefore any impact on the Bank’s earnings as a result of fluctuations in exchange rates is immaterial.
- Operational Risk - According to the latest self-assessment exercise regarding operational risks inherent to each area in the Bank, residual risk is concentrated mostly in a low-risk category. Quantitatively, losses due to operational risk in the first half of the year compare very favourably with the same period last year and we expect a similar behaviour in the second half of the year.

- Reputational and Compliance Risk – These are risks to which the Bank is also exposed, although the internal governance system has reduced the probability of occurrence of events with impact on the results.
- Other Risks – The Bank is also exposed to other risks (for example, technological risk, real estate risk or the risk inherent to the application of its strategy). However, we do not anticipate that these risks shall have a significant influence on the Bank's activity and its results during the second half of the year.

Lisbon, 29 July 2016

The Board of Directors

Annex 1 - Shareholding position of the members of the governing and supervisory bodies

(Article 447 of the Commercial Companies Code - ‘Código das Sociedades Comerciais’)

Nothing to report.

Annex 2 - Qualifying holdings

(Article 448 of the Commercial Companies Code and Article 20 of the Securities Code ‘Código dos Valores Mobiliários’)

Shareholders	No. of Shares	Shareholding Position	Voting Rights
Banco Popular Español, SA	513 000 000	100%	100%

Declaration on the financial information reported

STATEMENT REFERRED TO IN ARTICLE 8(4) OF THE PORTUGUESE SECURITIES CODE

Pursuant to paragraph 4 of article 8 of the Portuguese Securities Code, Banco Popular Portugal states that the current interim financial information was not audited or officially reviewed.

Lisbon, 29 July 2016

BANCO POPULAR PORTUGAL, S.A.

Declaration of compliance of the financial information

STATEMENT REFERRED TO IN ARTICLE 246(1)(c)

OF THE PORTUGUESE SECURITIES CODE

Paragraph (c) of article 246(1) of the Portuguese Securities Code states that each of the responsible persons shall issue a statement as explained therein.

STATEMENT OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Banco Popular Portugal, S.A., identified below by name, have individually signed the following statement:

'Pursuant to paragraph (c) of article 246(1) of the Portuguese Securities Code, I declare that, to the best of my knowledge, the condensed financial statements of Banco Popular Portugal, S.A. referred to the first half of 2016, were drawn up in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and the results of that entity and that the interim management report faithfully states the information required in accordance with article 246(2) of the Portuguese Securities Code.'

Lisbon, 29 July 2016

Board of Directors

Carlos Manuel Sobral Cid da Costa Álvares - Chairman

Pedro Miguel da Gama Cunha - Member

Tomás Pereira Pena - Member

Susana de Medrano Boix - Member

Half-Year Accounts

Balance Sheet

Individual Balance Sheet as at 30 June 2016 and 2015

(€ thousand)

	Notes/ Tables Annexes	30/06/16 Amount before provisions, impairment and depreciation 1	30/06/16 Provisions, impairment and depreciation 2	30/06/16 Net amount 3 = 1 - 2	30/06/15
Assets					
Cash and balances with central banks	17	82 867		82 867	73 032
Deposits with banks	18	89 820		89 820	56 718
Financial assets held for trading	19	44 975		44 975	47 718
Available-for-sale financial assets	21	1 435 988		1 435 988	1 812 508
Loans and advances to banks	22	1 405 171		1 405 171	68 036
Loans and advances to customers	23	6 311 481	352 567	5 958 914	5 539 609
Non-current assets held for sale	25	0	0	0	20 747
Other tangible assets	26	156 791	90 452	66 339	69 658
Intangible assets	27	21 573	20 924	649	46
Investments in subsidiaries, associates and joint ventures	20 and 25	22 579	2 336	20 243	0
Deferred income tax assets	28	54 076	0	54 076	61 301
Other assets	29	446 063	35 940	410 123	435 691
Total Assets		**10 071 384**	**502 219**	**9 569 165**	**8 185 064**
Liabilities					
Deposits from central banks	30	0		0	900 009
Financial liabilities held for trading	19	47 835		47 835	37 633
Deposits from banks	31	3 694 312		3 694 312	2 087 953
Deposits from customers	32	4 822 819		4 822 819	4 176 555
Debt securities issued	33	27 525		27 525	56 470
Hedging derivatives	34	75 761		75 761	108 798
Provisions	35	3 297		3 297	4 185
Current income tax liabilities	15	521		521	10 419
Deferred income tax liabilities	28	14 575		14 575	21 090
Other liabilities	36	110 331		110 331	54 241
Total Liabilities		**8 796 976**	**0**	**8 796 976**	**7 457 353**
Shareholders' Equity					
Shareholders' Equity	39	513 000		513 000	476 000
Share premium	39	10 109		10 109	10 109
Revaluation reserves	40	- 15 030		- 15 030	- 6 652
Other reserves and retained earnings	41	254 274		254 274	216 679
Income for the period		9 836		9 836	31 575
Total Shareholders' Equity		**772 189**	**0**	**772 189**	**727 711**
Total Liabilities + Shareholders' Equity		**9 569 165**	**0**	**9 569 165**	**8 185 064**

THE CERTIFIED PUBLIC ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated Balance Sheet as at 30 June 2016

(€ thousand)

	Notes/ Tables Annexes	30/06/16 Amount before provisions, impairment and depreciation 1	Provisions, impairment and depreciation 2	Net amount 3 = 1 - 2
Assets				
Cash and balances with central banks	17	82 867		82 867
Deposits with banks	18	89 821		89 821
Financial assets held for trading	19	44 975		44 975
Available-for-sale financial assets	21	1 398 899		1 398 899
Loans and advances to banks	22	1 405 171		1 405 171
Loans and advances to customers	23	6 371 237	357 316	6 013 921
Non-current assets held for sale	25	0	0	0
Other tangible assets	26	157 713	91 170	66 543
Intangible assets	27	22 505	21 756	749
Investments in subsidiaries, associates and joint ventures	20 and 25	22 579	2 336	20 243
Current income tax assets	15	49		49
Deferred income tax assets	28	54 318	0	54 318
Other assets	29	444 810	35 940	408 870
Total Assets		**10 094 944**	**508 518**	**9 586 426**
Liabilities				
Deposits from central banks	30	0		0
Financial liabilities held for trading	19	47 835		47 835
Deposits from banks	31	3 694 312		3 694 312
Deposits from customers	32	4 820 668		4 820 668
Debt securities issued	33	27 525		27 525
Hedging derivatives	34	75 761		75 761
Provisions	35	3 297		3 297
Current income tax liabilities	15	903		903
Deferred income tax liabilities	28	14 575		14 575
Other liabilities	36	128 243		128 243
Total Liabilities		**8 813 119**	**0**	**8 813 119**
Shareholders' Equity				
Shareholders' Equity	39	513 000		513 000
Share premium	39	10 109		10 109
Revaluation reserves	40	- 15 030		- 15 030
Other reserves and retained earnings	41	254 274		254 274
Income for the period		10 954		10 954
Total Shareholders' Equity		**773 307**	**0**	**773 307**
Total Liabilities + Shareholders' Equity		**9 586 426**	**0**	**9 586 426**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Income Statement

Individual Income Statement as at 30 June 2016 and 2015

(€ thousand)

	Notes/ Tables Annexes	30/06/16	30/06/15
Interest and similar income	6	102 515	113 788
Interest and similar charges	6	35 989	46 213
Net interest income		**66 526**	**67 575**
Revenue from equity instruments	7	94	62
Fees and Commissions received	8	21 212	21 555
Fees and Commissions paid	8	2 694	3 568
Net gains from assets and liabilities at fair value		0	0
through profit or loss	9	- 23 832	- 81
Net gains from available-for-sale financial assets	9	41 788	- 1
Net gains from foreign exchange differences	10	777	887
Income from the sale of other assets	11	- 6 023	42
Other operating income	12	- 7 396	46 804
Banking income		**90 452**	**133 275**
Personnel expenses	13	24 835	29 965
Administrative overheads	14	25 535	24 403
Depreciation and amortization	26 and 27	1 322	1 456
Provisions net of recoveries and write-offs	35	737	- 838
Adjustments to loans and advances to customers		0	0
(net of reversals and write-offs)	23	18 499	27 993
Impairment of other assets net of reversals and recoveries	29	7 686	4 168
Net income before tax		**11 838**	**46 128**
Income tax		2 002	14 553
Current tax	15	- 1 383	9 811
Deferred tax	15	3 385	4 742
Net income after tax		**9 836**	**31 575**
Of which: Net income from discontinued operations		0	0
Net income for the period		**9 836**	**31 575**
Earnings per share (euro)		**0.02**	**0.07**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Consolidated Income Statement as at 30 June 2016

(€ thousand)

	Notes/ Tables Annexes	30/06/16
Interest and similar income	6	105 423
Interest and similar charges	6	35 989
Net interest income		**69 434**
Revenue from equity instruments	7	94
Fees and Commissions received	8	20 836
Fees and Commissions paid	8	2 841
Net gains from assets and liabilities at fair value through profit or loss	9	- 23 831
Net gains from available-for-sale financial assets	9	41 788
Net gains from foreign exchange differences	10	778
Income from the sale of other assets	11	- 6 023
Other operating income	12	- 7 525
Banking income		**92 710**
Personnel expenses	13	25 415
Administrative overheads	14	25 709
Depreciation and amortization	26 and 27	1 335
Provisions net of recoveries and write-offs	35	737
Adjustments to loans and advances to customers		0
(net of reversals and write-offs)	23	18 489
Impairment of other assets net of reversals and recoveries	29	7 686
Net income before tax		**13 339**
Income tax		2 385
Current tax	15	- 1 000
Deferred tax	15	3 385
Net income after tax		**10 954**
Of which: Net income from discontinued operations		0
Net income for the period		**10 954**
Earnings per share (euro)		**0.02**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Statement of Comprehensive Income

Individual Statement of Comprehensive Income

(€ thousand)

	30/06/16	30/06/15
Net income	**9 836**	**31 575**
Other comprehensive income:		
Items not reclassified as income		
Retirement pensions		
Recognition of actuarial gains and losses	(10 534)	(11 051)
	(10 534)	**(11 051)**
Items reclassified as income		
Available-for-sale financial assets		
Revaluation of available-for-sale financial assets	(21 615)	(4 722)
Tax burden	4 863	1 051
	(16 752)	**(3 671)**
Income not recognised in the income statement	**(27 286)**	**(14 722)**
Individual comprehensive income	**(17 450)**	**16 853**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Individual Statement of Changes in Equity

(€ thousand)

	Share Capital	Share premium	Fair value reserves	Other reserves and retained earnings	Net income	Total Equity
Balance as at 01 January 2015	**476 000**	**10 109**	**(2 957)**	**256 102**	**2 283**	**741 537**
Transferred to reserves				2 283	(2 283)	**0**
Actuarial gains and losses						**0**
Other			(24)	24		**0**
Comprehensive income for the period			4 703	(6 944)	13 343	**11 102**
Balance as at 31 December 2015	**476 000**	**10 109**	**1 722**	**251 465**	**13 343**	**752 639**
Share capital increase	37 000					37 000
Transferred to reserves				13 343	(13 343)	0
Actuarial gains and losses						0
Other						0
Comprehensive income for the period			(16 752)	(10 534)	9 836	(17 450)
Balance as at 30 June 2016	**513 000**	**10 109**	**(15 030)**	**254 274**	**9 836**	**772 189**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Cash Flow Statement

Cash Flow Statements for the periods ended 30 June 2016 and 2015
(€ thousand)

	Notes	Consolidated	Individual	
		30/06/2016	30/06/2016	30/06/2015
Cash flow from operating activities				
Interest, fees and other income received		110 264	107 367	112 539
Interest, fees and other expenses paid		(31 860)	(31 650)	(41 529)
Recovery of outstanding loans and interest		545	545	1 789
Cash paid to suppliers and employees		(35 739)	(35 645)	(51 231)
Contributions to the pension fund	37	(424)	(424)	(1 019)
Sub-total		**42 786**	**40 193**	**20 549**
Changes in operating assets and liabilities				
Deposits from central banks		(27 414)	(27 414)	52 576
Financial assets held for trading and at fair value through profit and loss		12 197	12 197	647
Loans and advances to banks		126 221	126 221	(4 982)
Deposits from banks		769 918	769 918	23 993
Loans and advances to customers		(385 388)	(329 784)	(176 005)
Deposits from customers		(210 528)	(208 377)	69 258
Risk management derivatives		(81 125)	(81 125)	(48 536)
Other operating assets and liabilities		63 573	44 955	38 553
Net cash flow from operating activities before income taxes		**310 240**	**346 784**	**(23 947)**
Income tax		(4 537)	(4 487)	2 357
Net cash flow from operating activities		**305 703**	**342 297**	**(21 590)**
Cash flow from investment activities				
Dividends received		94	94	63
Purchase of available for sale financial assets		(426 797)	(463 886)	(6 212)
Sale of available for sale financial assets		983 130	983 306	117 173
Sale of non-current tangible assets held for sale		53 593	53 593	9 493
Purchase and sale of assets		(1 271)	(952)	(841)
Net cash flow from investing activities		**608 749**	**572 155**	**119 676**
Cash flow from financing activities				
Issue of bonds and other securitized liabilities	33	1 072	1 072	225 000
Issue of own equity instruments		37 000	37 000	0
Redemption of bonds and other securitized liabilities		(12 616)	(12 616)	(488 960)
Net cash flow from financing activities		**25 456**	**25 456**	**(263 960)**
Net changes in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	46	595 477	595 477	325 415
Effect of exchange rate fluctuations on cash and cash equivalents		(1 776)	(1 776)	(1 080)
Net changes in cash and cash equivalents		**939 908**	**939 908**	**(165 874)**
Cash and cash equivalents at the end of the period	46	**1 533 609**	**1 533 609**	**158 461**

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS

Notes to the Financial Statements

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT 30 June 2016 AND 2015

(€ thousand)

1. INTRODUCTION

1.1 Activity

The Bank - then named BNC-Banco Nacional de Crédito Imobiliário - was founded on 2 July 1991, following the authorization given by Decree order No. 155/91, of 26 April, issued by the Ministry for Finances. On 12 September 2005, the name of the Bank was changed to Banco Popular Portugal, S.A.

The Bank is authorized to operate pursuant to the rules and regulations currently applicable to banks in Portugal and its corporate purpose is raising funds from third parties in the form of deposits or other, which it applies, together with its own funds, in granting loans or in other assets, also providing additional banking services in the country and abroad.

The accounts of the Bank are consolidated at the parent company, Banco Popular Español, S.A., ('BPE') whose Head Office is located in Madrid, Spain, at 34 Calle Velázquez.

BPE accounts are available at its respective Head Office as well on its webpage (www.bancopopular.es).

The Bank is not a listed company.

1.2 Bank structure

As a result of the restructuring process initiated in previous years, during 2011, the Bank ceased to hold any equity stake in any subsidiary and ceased to reclassify 'Class D Notes' issued by Navigator Mortgage Finance Nº 1 Plc ('Navigator') into the available-for-sale asset portfolio.

Based on the assumption that the investment in Navigator and its potential impact on the financial statements were considered immaterial, and pursuant to IAS 1 revised, the Bank decided not to prepare consolidated financial statements from 2011 onwards, since that information is not materially relevant for effects of the presentation of the Bank's financial information nor does it influence the decision of the readers of those statements.

As at 30 June 2016 and 2015, the Bank detained only one equity stake in the associated company Eurovida – Companhia de Seguros de Vida, S.A. (see Notes 20 and 25).

On 31 December 2015, Popular Factoring, S.A., handed the Bank of Portugal a merger project with Banco Popular Portugal, S.A. The planned acquisition of the Qualifying Holding, owned by Banco Popular Español, S.A. (sole shareholder of Banco Popular Portugal, S.A.), took place in April 2016, following the approval of the Bank of Portugal, by means of a share capital increase of Banco Popular Portugal, S.A., fully subscribed by its sole shareholder, Banco Popular Español, S.A., through contributions in kind substantiated by the Qualifying Holding.

As at 30 June 2016, the Bank fully owned Popular Factoring, S.A., after acquiring the qualifying holding from Banco Popular Español, S.A., (which amounted to 99.83%) and compulsorily purchasing the remaining shares.

Popular Factoring, S.A. (henceforth 'consolidated company') is presented in the Bank's consolidated accounts under the full consolidation method.

In the first half of 2016, Banco Popular Portugal, S.A., sold its card business, but this operation shall only come into force on 30 September.

2. Summary of the Main Accounting Principles

The main accounting principles and valuation criteria adopted in the preparation of these financial statements are stated below. These principles were consistently applied to every year presented, except when otherwise stated.

2.1 Bases of preparation

Individual financial statements

Pursuant to article 2 of Notice No. 5/2015 issued by the Bank of Portugal on 7 December, starting on 1 January 2016, the entities that are under the supervision of the Bank of Portugal shall prepare their individual financial statements according to the International Accounting Standards (IAS) as adopted at each moment by the Regulation of the European Union and respecting the conceptual framework for the preparation and presentation of financial statements on which those standards are based, as was formerly required for consolidated financial statements when applicable.

The impact on the individual financial statements of the Bank on 1 January 2016 arising from the application of the IAS mostly resulted in a decrease in the provisions for customer loans and guarantees, arising from the recognition of impairment losses according to IAS 39 that replaced the former framework provided by Notice No. 3/95 issued by the Bank of Portugal and now revoked. This originated, excluding the associated tax effect, an increase of the share capital by 46 847 thousand euros.

2.2 Segmental reporting

As of 1 January 2009, the Bank adopted IFRS 8 – Operating Segments for effects of disclosing financial information analysed by operating segments (see Note 5).

An operational segment in a business is a group of assets and operations used to provide products or services, subject to risks and benefits that are different from those seen in other segments.

The Bank determines and presents operational segments based on in-house produced management information.

2.3 Equity stakes in associated companies

Associated companies are those in which the Bank has, directly or indirectly, a significant influence over its management and financial policy but does not hold control over the company. It is assumed that the Bank has a significant influence when it holds the power to control over 20% of the voting rights of the associate. Even when voting rights are lower than 20%, the Bank may have significant influence through the participation in management bodies or the composition of the Executive Boards of Directors.

In the Bank's individual financial statements, associated companies are booked at historical cost. The dividends from associated companies are booked in the Bank's individual income on the date they are attributed or received.

In case of objective evidence of impairment, the loss by impairment is recognised in the income statement.

2.4 Foreign currency transactions

a) Functional currency and presentation currency

The financial statements are presented in euros, which is both the functional and presentation currency of the Bank.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using indicative exchange rates prevailing on the dates of transactions. Gains and losses resulting from the conversion of foreign currency transactions, deriving from their extinction and conversion into monetary assets and liabilities in foreign currencies at the exchange rate at the end of each period, are recognised in the income statement, except when they are part of cash flow hedges or net investment in foreign currency, which are deferred in equity.

Conversion differences in non-monetary items, such as equity instruments measured at fair value with changes recognised in net income, are booked as gains and losses at fair value. For non-monetary items, such as equity instruments, classified as available for sale, conversion differences are booked in equity, in the fair value reserve.

2.5 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on trade date and subsequently remeasured at fair value. Fair values are based on quoted market prices, including recent market transactions and evaluation models, namely: discounted cash flow models and option valuation models Derivatives are considered assets when their fair value is positive and liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments – such as debt instruments whose profitability is indexed to share or share index price – are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value and subsequent changes are recognised in the income statement.

The Bank holds: (i) trading derivatives, measured at fair value – gains and losses arising from changes in their fair value are immediately included in the income statement, and (ii) fair value derivatives accounted for in conformity with Note 3.1 a).

2.6 Recognition of interest and similar income and interest and similar charges

Interest income and charges are recognised in the income statement for all instruments measured at amortized cost in accordance with the *pro rata temporis* accrual method.

Once a financial asset or group of financial assets has been written down as a result of an impairment loss, interest income should be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Fees and commissions

Fees and commissions are generally recognised using the accrual method when the service has been provided. Revenue from credit line fees, which are expected to originate a loan, is differed (together with any cost directly related) and recognised as an adjustment at the effective interest rate. Fees and commissions on trades, or participation in third party trades - such as purchasing stock or purchasing or selling a business - are recognised as earned when the service has been provided. Portfolio and other management advisory fees are recognised based on the applicable service contracts – usually recognised proportionally to the time elapsed. Asset management fees related to investment funds are recognised rateably over the period the service is provided.

2.8 Financial assets

Financial assets are recognised in the Balance Sheet on trade date - the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus direct transaction costs, except for financial assets carried at fair value through profit or loss for which transaction cost are directly recognised in the income statement. Financial assets are derecognised when (i) the rights to receive cash flows from these assets have expired, (ii) the Bank has substantially transferred all risks and rewards of ownership, or (iii) notwithstanding the fact that the Bank may have retained part, but not substantially all, of the risks and benefits associated with holding them, control over the assets was transferred.

Financial assets and liabilities are offset and the net amount booked in the income statement when, and only when, the Bank has a currently enforceable legal right to offset the recognised amounts and intends to settle them on a net basis.

The Bank classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of the financial instruments at initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading, and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management. Derivative financial assets are also categorised as held for trading unless they qualify for hedge accounting.

The fair value option is only used for financial assets and liabilities in one of the following circumstances:

- There is a significant reduction in the measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks and debt securities;

- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to management on that basis; and
- Financial instruments, such as holdings of debt securities, with one or more embedded derivatives that significantly modify cash flows, are carried at fair value through profit and loss.

These assets are assessed daily or at each reporting date based on fair value. In the case of bonds and other fixed-income securities the balance sheet contains the amount of unpaid accrued interest.

Gains and losses arising from changes in fair value are included directly in the income statement, which also includes interest revenue and dividends on traded assets and liabilities at fair value. Revenue from interest on financial assets at fair value through profit or loss is carried in net interest income.

Gains and losses arising from changes in the fair value of the derivatives that are managed together with designated financial assets and liabilities are included in item ‘Income from assets and liabilities at fair value through profit and loss'.

b) Loans and receivables

Loans and receivables includes loans to customers and banks, leasing operations, factoring operations, participation in syndicated loans and securitised loans (commercial paper and corporate bonds) that are not traded in an active market and for which there is no selling intention.

Loans and securitised loans traded in an active market are classified as available-for-sale financial assets.

Loans and receivables are initially recognised at fair value. In general, fair value at inception corresponds to transaction value and includes fees, commissions or other credit-related costs and revenues.

Subsequently, loans and receivables are valued at amortised cost based on the effective interest rate method and subject to impairment tests.

Interest, fees, commissions and other credit-related costs and revenues are recognised on an accrual basis over the period of the transactions regardless of the moment when they are charged or actually paid. Fees on loan commitments are recognised on a deferred and linear basis during the lifetime of the commitment.

The Bank classifies as non-performing loans instalments of principal or interest after, at most, thirty days of their due date. In case of litigation, all principal instalments are considered non-performing (current and past due).

Factoring

Credit to customers includes advances within factoring operations with recourse and the amount of the invoices granted without recourse, whose intention is not a short run sale, and is recorded on the date the accounts receivable are assigned by the seller of the product or service that issues the invoice.

Accounts receivables assigned by the issuer of the invoices or other commercial credits for recourse or non-recourse factoring are registered on assets under the item Loans and advances to customers. As a counterpart it changes the item other liabilities.

When invoices are taken with recourse but cash advances on those respective contracts have not been made yet, they are registered in off-balance sheet accounts on the amount of the invoices that have been received. The off-balance sheet account is rectified as the cash advances are made.

Commitments arising from credit lines to factoring customers that have not been utilized yet are registered in off-balance sheet accounts.

Guarantees granted and irrevocable commitments

Liabilities for guarantees granted and irrevocable commitments are registered in off-balance sheet accounts by the value at risk and interest flows, commissions or other revenues recorded in the income statement during the lifetime of the operations. These operations are subject to impairment tests.

c) Held-to-maturity investments

This item includes non-derivative financial assets with fixed or determinable payments and defined maturities that the Bank has the intention and ability to hold to maturity.

These assets are initially recognised at fair value, minus possible commissions included in the effective rate, plus all direct incremental costs. They are subsequently valued at amortised cost, using the effective interest rate method and subject to impairment tests. If during a subsequent period the amount of the loss of impairment decreases, and that decrease may be objectively tied to an event that happened after the impairment was recognised, this is reversed through the income statement.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that: (i) the Bank intends to keep for an undetermined period of time, (ii) are recognised as available for sale at inception, or (ii) are not categorized into any of the other categories described above.

This item includes:

- Fixed-income securities that have not been classified in the trading book or the credit portfolio, or held-to-maturity investments;
- Available-for-sale variable-yield securities; and
- Available-for-sale financial asset funds and supplementary funds.

Available-for-sale assets are recognised at fair value, except for equity instruments that are not listed on any active market and whose fair value may not be reliably measured or estimated, in which case they are recognised at cost value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are directly recognised in equity in item Fair value revaluation reserves, except for impairment losses and foreign exchange gains and losses of monetary assets, until the asset is sold, when the gain or loss previously recognised in equity is carried in the income statement.

Interest from bonds and other fixed-income securities and the differences between acquisition cost and the nominal value (premium or discount) are registered in the income statement using the effective rate method.

Revenue from variable-income securities (dividends in the case of shares) are booked in the income statement on the date they are attributed or received. According to this criterion, interim dividends are recorded as profit in the exercise their distribution is decided.

In case of objective impairment evidence – resulting from a significant and prolonged decline in the fair value of the security or from financial problems on the part of the issuer – the cumulative loss on the fair-value revaluation reserve is removed from equity and recognised in the income statement.

Impairment losses on fixed-income securities may be reversed on the income statement if there is a positive change in the security's fair value as a result of an event that occurred after the initial impairment recognition. Impairment losses on variable-income securities may not be reversed. In the case of impaired securities, subsequent negative fair-value changes are always recognised in the income statement.

Exchange rate fluctuations of non-monetary assets (equity instruments) classified in the available-for-sale portfolio are registered in fair-value reserves. Exchange rate fluctuations in the other securities are booked in the income statement.

2.9 Impairment of financial assets

a) Assets carried at amortised cost

The Bank assesses on each balance sheet date whether there is objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated. Objective evidence that an asset, or group of assets, is impaired includes observable data that the Bank is aware of, regarding the following loss events:

(i) significant financial stress of the borrower;

(ii) a breach of contract, such as a default in principal and/or interest payments;

(iii) concessions granted to the borrower, for reasons relating to the borrower's financial difficulty, that the lender would not have otherwise considered;

(iv) probability that the borrower will go into bankruptcy or other financial reorganisation;

(v) disappearance of an active market for that financial asset because of financial difficulties;

(vi) information indicating that there will be a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although that decrease cannot yet be identified with the Bank's assets, including:

– adverse changes in the group of financial assets' condition and/or payment capacity;

– national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank assesses initially whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk and collectively assesses them for impairment.

If there is objective evidence of an impairment loss on loans and receivables, or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future impairment losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the provisions account. The Bank may also determine impairment losses through the instrument’s fair value at observable market prices.

When analysing impairment in a portfolio, the Bank estimates the probability of an operation or a customer to default during the estimated period between impairment occurs and the loss is identified.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics (i.e., based on the Bank’s classification process that takes into account asset type, geographical location, collateral type, past due status and other relevant factors). These characteristics are relevant to estimate future cash flows for groups of financial assets by being indicative of the counterpart's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement in a debtor’s credit rating), the previously recognised impairment loss is reversed through the provisions account. The amount of the reversal is recognised directly in the income statement.

Loans to customers whose terms have been renegotiated are no longer considered past due and are treated as new loan contracts. Restructuring procedures include: extended payment conditions, approved management plans, payment change and deferral. Restructuring practices and policies are based on criteria that, from the point of view of the Bank’s management, indicate that payment has a high probability of occurring.

b) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset, or group of financial assets, is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, minus any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement.

Impairment losses on equity instruments that have been recognised in the income statement are not reversible. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and growth can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement.

2.10 Intangible assets

- Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with software development and maintenance are recognised as expenses when incurred. Costs directly associated with developing unique and identifiable software, controlled by the Bank and where it is probable that they will generate future economic benefits, are recognised as intangible assets.

Costs associated with software development recognised as assets are amortized during its useful life using the straight-line method.

2.11 Intangible assets

The Bank's property is comprised essentially of offices and branches. All tangible assets are stated at historical cost minus depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life (years)
Freehold buildings	50
Adaptation works in leasehold property	10, or during the lease period if lower than 10 years
Furniture, fixtures and fittings	5 to 8
Computers and similar equipment	3 to 4
Transport equipment	4
Other tangible assets	4 to 10

Tangible assets subject to depreciation are submitted to impairment tests whenever events or changes in certain circumstances indicate their carrying amount may no longer be recovered. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher between the value in use and the asset's fair value, minus sale costs.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are included in the income statement.

2.12 Tangible assets held for sale

Assets acquired in exchange for loans (real estate property, equipment and other assets) are booked in item Tangible assets held for sale at the amount stated in the agreement that regulates the asset's delivery, which corresponds to the lower of the outstanding amount of the debt or the asset's evaluation at the time of its delivery.

The Bank's policy for this type of assets is to sell them as soon as possible.

These assets are periodically assessed and impairment losses are recognised whenever the result of that appraisal is lower than the asset's book value (see Note 29).

Potential realized gains on these assets are not recorded in the Balance Sheet.

2.13 Leases

a) As lessee

Leases entered by the Bank are essentially related to transport equipment, where there are contracts classified as financial leases and others as operating leases.

Payments made on operating leases are recognised in the income statement.

When an operating lease is terminated before the end of the lease period, any payment required by the lessor, by way of compensation, is recognised as an expense in the period the operation is terminated.

Financial leases are capitalised at the inception of the lease in the respective item of tangible or intangible assets, as a counterpart to the item Other liabilities, at the lower of (i) the fair value of the leased asset and (ii) the present value of the minimum lease payments. Incremental costs paid for leases are added to the recognised asset. Tangible assets are depreciated pursuant to Note 2.11. Rents are comprised of (i) financial cost charged to expenses and (ii) financial depreciation of premium that is deducted from the item Other liabilities. Financial charges are recognised as expenses over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. However, when there is no reasonable certainty that the Bank will obtain possession of the asset at the end of the lease, the asset must be totally depreciated during the smaller of the lease period or its useful life.

b) As lessor

Assets held under a financial lease are recognised as an expense in the period to which they relate by the current amount of the payments to be made. The difference between the gross amount receivable and the current balance receivable is recognised as receivable financial income.

Interest included in the rents charged to customers is registered as income, while principal depreciation, also included in the rents, is deducted from the overall amount initially lent. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

2.14 Provisions

Provisions for other risks and charges

Provisions for restructuring costs and legal expenses are recognised whenever: the Bank has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle that obligation; and the amount can be reliably estimated.

Loan impairment and Provisions for specific and general credit risks

Pursuant to article 2 of Notice No. 5/2015 issued by the Bank of Portugal on 7 December, starting on 1 January 2016, the entities that are under the supervision of the Bank of Portugal shall prepare their individual financial statements according to the International Accounting Standards (IAS) as adopted at each moment by the Regulation of the European Union and respecting the conceptual framework for the preparation and presentation of financial statements on which those standards are based, as was formerly required for consolidated financial statements when applicable.

In accordance with No. 7 of the aforementioned legislation, Notice No. 3/95 issued by the Bank or Portugal was revoked and therefore the Bank prepared its respective financial statements in terms of recognition, classification and measurement of loans granted and other accounts receivable, and determination of impairment entirely pursuant to the reference criteria and principles disclosed by the Bank of Portugal in the Circular Letter No. 02/2014/DSP of 26 February.

2.15 Employee benefits

a) Pension liabilities and other post-retirement benefits

In compliance with the Collective Bargaining Agreement (ACT) for the banking sector, the Bank has established a Pension Fund designed to cover retirement benefits on account of age, including disability, and survivor's benefits, set up for the entire work force, calculated based on projected salaries of staff in active employment. The pension fund is supported by the contributions made, based on the amounts determined by periodic actuarial calculations. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Every year the Bank determines the amount of liabilities for past services using actuarial calculations based on the Project Unit Credit method for liabilities for past services in the case of old age and the Unique Successive Premium to calculate disability and survivor's benefits. The actuarial assumptions (financial and demographic) are based on expectation at the balance sheet date for the growth in salaries and pensions and are based on mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for high quality corporate bonds, with periods to maturity similar to those for settlement of pension liabilities. The assumptions are mutually compatible. The amount of liabilities includes, besides retirement pensions, post-employment medical care (SAMS) and post-retirement death benefits.

Until 31 December 2012, the Bank recognized the net accumulated amount (after 1 January 2004) of actuarial gains and losses resulting from changes in the financial and actuarial assumptions and differences between the financial and actuarial assumptions used and the actual amounts in the item Other Assets or Other Liabilities - Actuarial Gains/Losses.

Accumulated actuarial gains or losses that did not exceed 10% of the highest of the current value of liabilities for past services or the value of the pension funds were included in the 'corridor'. Actuarial gains/losses in excess of the corridor were recognised against results over the average remaining period of service of the employees covered by the plan.

As at 1 January 2013 the Bank changed its accounting policy of recognising financial and actuarial gains and losses for pension plans and other defined benefit post-employment benefits pursuant to *IAS 19 Revised*. Financial and actuarial gains and losses are now recognised in the period they occur directly in equity in the Statement of Comprehensive Income.

Increases in past service liabilities resulting from early retirement are fully recognised as expenses in the income statement for the year in which they occur.

Increases in past service liabilities resulting from changes in the conditions of Pension Plans are fully recognised as expenses in the case of acquired benefits or depreciated during the period that remains until those benefits are acquired. The balance of the increases in liabilities not yet recognised as expenses are registered in the item Other Assets.

Past service liabilities (post-employment benefits) are covered by a pension fund. The amount of the pension funds corresponds to the fair value of its assets at the balance sheet date.

The financing regime by the pension fund is established in Notice No. 4/2005 issued by the Bank of Portugal, which determines the compulsory fully financing pension liabilities and a minimum level of 95% financing of past service liabilities for staff in active employment.

In the Bank's financial statements, the amount of past service liabilities for retirement pensions, minus the amount of the pension fund, is stated in item Other Liabilities.

The Bank's income statement includes the following expenses related to retirement and survivor pensions:

- Current service cost;
- Interest expense on the total outstanding liabilities;
- Expected revenue of the pension fund;
- Expenses with increases in early retirement liabilities;
- 'Multiprotecção' life insurance premium (see Note 37);
- Management fee paid to the fund management company.

On the transition date, the Bank adopted the possibility permitted by IFRS 1 of not recalculating deferred actuarial gains and losses from the beginning of the plans (normally known as the reset option). Thus, deferred actuarial gains and losses recognised in the Bank's accounts as at 31 December 2003 were fully reversed in retained earnings on the transition date – 1 January 2004.

b) Seniority bonuses

In compliance with the Collective Bargaining Agreement (ACT) for the banking sector in Portugal, the Bank has committed to attribute to active staff that complete fifteen, twenty-five and thirty years of good and effective service, a seniority bonus equal, respectively, to one, two or three months of their effective monthly salary on the year of the attribution.

Every year the Bank determines the amount of liabilities for seniority bonuses using actuarial calculations based on the Project Unit Credit method for liabilities for past services. The actuarial assumptions (financial and demographic) are based on expectation at the balance sheet date for the growth in salaries and pensions and are based on mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for high quality corporate bonds, with periods to maturity similar to those for settlement of pension liabilities. The assumptions are mutually compatible.

Liabilities for seniority bonuses are recognised in the item Other Liabilities.

The Bank's income statement includes the following expenses regarding seniority bonus liabilities:

- cost of current service (cost of one year);
- interest expenses;
- actuarial gains/losses, changes in assumptions or changes in the conditions of the benefits.

2.16 Deferred taxes

Deferred taxes are recognised using the balance sheet debt method, based on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the effective tax rate on profits at the balance sheet date that is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax is recognised when it is probable that in the future there is enough tax on profits so that it can be used.

Taxes on profits based on the application of legal rates for each jurisdiction are recognised as expenses in the period when the profit is originated. The tax effects of reportable tax losses are recognised as an asset when it is likely that the future profitable profit is enough for the reportable tax loss to be utilized.

Deferred tax related to fair value revaluation of an available-for-sale asset, which is charged or credited directly in equity, is also credited or charged in equity and subsequently recognised in the income statement together with deferred gains or losses.

2.17 Financial liabilities

The Bank classifies its financial liabilities into the following categories: held-for-trade financial liabilities, other financial liabilities at fair value through profit and loss, deposits from central bank, deposits from other banks, customer deposits, securitised liabilities and other subordinated liabilities. Management determines the classification of the financial instruments at initial recognition.

a) Financial liabilities held for trading and at fair value through profit and loss

This item essentially includes deposits whose yield is indexed to stock portfolios or indexes and the negative fair value of derivative contracts. The evaluation of these liabilities is made based on fair value. The balance sheet value of deposits includes the amount in accrued interest not paid.

b) Central banks, other banks, and customer funds

After the initial recognition, deposits and other financial assets from customers, central banks and other banks are revalued at amortized cost based on the effective interest rate method.

c) Securitised liabilities, and other subordinated liabilities

These liabilities are initially recognised at fair value, which is the amount for which they were issued net of transaction costs incurred. These liabilities are subsequently measured at amortized cost and any difference between the net amount received on transaction and their redemption value is recognised in the income statement over the liability period using the effective interest rate method.

If the Bank acquires its own debt, this amount is removed from the balance sheet and the difference between the balance sheet amount of the liability and the amount spent to acquire it is recognised in the income statement.

2.18 Non-current assets held for sale

Non-current assets, or disposal groups, are classified as held for sale whenever their book value is recoverable through sale. This condition can only be met when the sale is highly probable and the asset is available for immediate sale in its current condition. The sale must be performed within one year from the date on which they are included in this item. An extension of the period during which the asset must be sold does not exclude that asset, or a disposal group, from being classified as held for sale if the delay is caused by an event or circumstances that the Bank cannot control and if the selling purpose is maintained. Immediately before the initial classification of the asset, or disposal group, as held for sale, the book value of non-current assets (or of every asset and liability in the group) is carried pursuant to the applicable IFRS. Subsequently these assets, or disposal group, will be remeasured at the lower between the initial carrying amount and the fair value minus selling costs.

2.19 Insurance and reinsurance brokerage

Banco Popular Portugal is authorized by the Authority for the Supervision of Insurances and Pension Funds to act as an insurance broker in the category of Associated Insurance Broker pursuant to paragraph 8(i) of Decree-law No. 144/2006 of 31 July, performing its brokerage activity in the area of life and non-life insurances.

In the scope of its insurance brokerage services, Banco Popular sells insurance contracts. As remuneration for the services rendered as an insurance broker, Banco Popular receives fees and commissions for insurance contracts and investment contracts, which are defined in agreements/protocols established between the Bank and the Insurance Companies.

The fees and commissions received for insurance brokerage services are recognized on an accrual basis, which means that those paid at a different moment from the period their refer to are booked as a receivable in item Other Assets (see Note 8).

	30/06/16	30/06/15	2015	2014	2013	2012
Life	891	489	944	4 637	1 574	974
Non-life	308	293	578	642	507	462
	1 199	782	1 522	5 279	2 081	1 436

3. Financial risk management

3.1 Strategy used for financial instruments

In view of its activity, the Bank raises funds essentially through customer deposits and monetary market operations.

Besides the activities of credit granting, the Bank also applies its funds in financial investments, particularly in the group of investments that currently comprise the Bank's portfolio.

The Bank's securities portfolio - including available-for-sale financial assets and trading portfolio - amounted to around 1.4 billion euros in the first half of 2016, representing around 15% of the Bank's total net assets. The typology of these assets was broken down as follows: public Portuguese debt (15.6%), public Spanish debt (60.3%), banks (20.9%) and others (3.2%).

To hedge its investment against interest rate risk, the Bank carried out interest rate swap operations and monetary market operations, thus trying to control the variability of interest rate risk and the flows generated by these assets.

a) Fair value hedge accounting

Gains and losses resulting from the revaluation of hedge derivatives are recognised in the income statement. Gains and losses deriving from differences in terms of the fair value of hedged financial assets and liabilities, corresponding to the hedged risk, are also recognised in the income statement as a counterpart for the carrying value of the hedged assets and liabilities, in the case of operations at amortized cost, or by counterpart of the reserve for fair value revaluation in the case of available-for-sale assets.

Efficacy tests for hedges are accordingly documented on a regular basis, ensuring the existence of proof during the lifetime of the hedged operations. If the hedge no longer meets the criteria demanded by hedge accounting, it shall be prospectively discontinued.

b) Cash flow hedge accounting

In a cash flow hedge, the effective part of the changes in fair value for the hedged derivative is recognised in reserves, and transferred to the income statement in the periods when the respective hedged item affects results. If it is foreseeable that the hedged operation will not take place, the amounts still stated in equity are immediately recognised in the income statement and the hedged instrument is transferred to the trading book.

The Bank is exposed to a certain cash flow risk as regards open positions in foreign currency. However, in view of the little materiality of the normally existing overall position, no hedge operations are carried out in this case.

3.2 Financial assets and liabilities at fair value

The Board of Directors considered that as at 30 June 2016, the fair value of assets and liabilities at amortised cost did not differ significantly from its book value.

In order to determine the fair value of a financial asset or liability, its market price is applied whenever there is an active market for it. In case there is no active market, which happens with some financial assets and liabilities, generally accepted valuation techniques based on market assumptions are employed.

The net income of financial assets and liabilities at fair value that have not been classified as hedging includes an amount of 41 858 thousand euros (2015: 990 thousand euros).

Consequently, the fair value change recognized in the income statement for the period is analysed as follows:

	CONSOLIDATED		INDIVIDUAL			
	30/06/16		30/06/16		30/06/15	
	Fair value	Change	Fair value	Change	Fair value	Change
Financial assets at fair value through profit or loss						
Trading derivatives						
Interest rate swaps	43 237	15 096	43 237	15 096	33 167	22 250
Futures and other forward contracts	1 151	-	1 151	-	1 912	-
Options	119	872	119	872	5	260
Available-for-sale financial assets						
Debt instruments issued by residents	224 063	822	224 063	822	34 973	- 1
Equity instruments issued by residents	759	0	37 849	0	652	-
Other equity instruments issued by residents	46 538	-	46 538	-	46 419	-
Debt instruments issued by non-residents	1 127 464	37 973	1 127 464	37 973	1 730 390	-
Equity instruments issued by non-residents	74	2 993	74	2 993	74	-
Financial liabilities at fair value through profit or loss						
Trading derivatives						
Interest rate swaps	47 657	- 15 710	47 657	- 15 710	36 697	- 21 489
Futures and other forward contracts	59	-	59	-	925	-
Options	119	- 188	119	- 188	11	- 30
		41 858		**41 858**		**990**

The table below classifies fair value assessment of the Bank's financial assets and liabilities based on a fair value hierarchy that reflects the significance of the inputs that were used in the assessment, according to the following levels:

- Level 1: (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: different inputs for market prices included in Level 1 that are observable for assets and liabilities either directly (i.e., as prices) or indirectly (i.e. derived from the prices);
- Level 3: inputs for assets and liabilities that are not based on observable market data (non-observable inputs).

Individual

	30/06/2016				30/06/2015			
Assets and Liabilities at fair value	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading								
Variable-income securities	455	-	14	469	2 477	-	10 158	12 635
Derivatives	-	44 506	-	44 506	-	35 084	-	35 084
Other financial assets at fair value through profit or loss								
Fixed income securities	-	-	-	-	-	-	-	-
Available-for-sale financial assets								
Debt securities	1 350 206	1 321	-	1 351 527	1 764 001	1 362	-	1 765 363
Equity securities	-	-	84 461	84 461	-	-	47 145	47 145
Hedging derivatives	-	-	-	-	-	-		-
Total Assets at fair value	**1 350 661**	**45 827**	**84 475**	**1 480 963**	**1 766 478**	**36 446**	**57 303**	**1 860 227**
Financial liabilities held for trading (Derivatives)	-	41 452	-	41 452	-	37 633	-	37 633
Hedging derivatives	-	121 337	-	121 337	-	108 798	-	108 798
Total Liabilities at fair value	**0**	**162 789**	**0**	**162 789**	**0**	**146 431**	**0**	**146 431**

Consolidated

Assets and Liabilities at fair value	30/06/2016 Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Variable-income securities	455	-	14	469
Derivatives	-	44 506	-	44 506
Other financial assets at fair value through profit or loss				
Fixed income securities	-	-	-	-
Available-for-sale financial assets				
Debt securities	1 350 206	1 321	-	1 351 527
Equity securities	-	-	47 371	47 371
Hedging derivatives	-	-	-	-
Total Assets at fair value	**1 350 661**	**45 827**	**47 385**	**1 443 873**
Financial liabilities held for trading (Derivatives)	-	41 452	-	41 452
Hedging derivatives	-	121 337	-	121 337
Total Liabilities at fair value	**0**	**162 789**	**0**	**162 789**

3.3 Credit risk

The Bank is exposed to credit risk, which is the possible loss that arises when the Bank's counterparties fail to fulfil their obligations. In the case of lending, it implies the loss of principal, interest and commissions, regarding amount, period and other conditions set forth in the contracts. Concerning off-balance sheet risks, it derives from the non-compliance of the counterparts regarding their obligations with third parties, which implies that the Bank has to assume as its own certain obligations depending on the contracts.

The Bank structures the levels of credit risk it is exposed to by establishing pre-defined acceptable risk amounts regarding the borrower or group of borrowers and geographical or business activity segments.

Exposure to credit risk is managed through a regular analysis of the capacity of borrowers and potential borrowers of meeting payment obligations for principal and interest, and by changing these loan limits when appropriate. Exposure to credit risk is also managed in part by obtaining collaterals and personal or corporate guarantees.

- Collaterals

The Bank employs a series of policies and practices in order to mitigate credit risk. The most traditional one is securing collaterals at the moment funds are advanced. The Bank implements guidelines regarding the acceptability of specific classes of collaterals or mitigation of credit risk. The main types of collaterals for loans and receivables are:

- Property mortgages;
- Pledges of operations made within the Bank;
- Pledges on assets such as premises, inventory and accounts receivable;
- Pledges on financial instruments, such as securities and shares.

Long-term loans to corporate and private customers usually require a collateral; lower amounts and recurring personal loans generally require no collateral. Additionally, with the intention of minimising loss, at the time an impairment indicator for loans and receivables is identified the Bank tries to obtain additional collaterals from the relevant counterparties.

Collaterals held for financial assets, except for loans and advances, are determined by the nature of the instrument. Debt instruments, treasury bonds and other securities usually are not collateralised.

- Lending commitments

The main objective of these instruments is to ensure that funds are made available to customers as they require them. Loan extension commitments represent non-utilized parts of credit extension authorizations in the form of loans, guarantees or letters of credit. Regarding the credit risk associated with loan extension commitments, the Bank is potentially exposed to a loss in the amount of the total of non-utilized commitments. However, the probable loss amount is much lower than the sum of the non-utilized commitments since loan extension commitments are revocable and depend on a specific customer's credit worthiness. The Bank monitors the maturity of lending commitments since long term commitments usually present a greater credit risk than short-term commitments.

- Maximum exposure to credit risk

As at 30 June 2016 and 2015, maximum exposure to credit risk was as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
On-balance sheet			
Deposits with banks	89 820	89 820	56 718
Financial assets held for trading	44 506	44 506	35 084
Available-for-sale financial assets	1 351 528	1 351 528	1 765 363
Loans and advances to banks	1 405 171	1 405 171	68 036
Loans and advances to customers	6 013 920	5 958 914	5 539 609
Other assets	245 729	245 284	290 134
	9 150 674	**9 095 223**	**7 754 944**
Off-balance sheet			
Financial guarantees	127 341	127 341	249 438
Other guarantees	258 533	258 533	105 972
Lending commitments	948 762	863 659	770 774
Documentary credits	44 614	44 614	42 518
	1 379 250	**1 294 147**	**1 168 702**
Total	**10 529 924**	**10 389 370**	**8 923 646**

The table above shows the worst-case scenario in terms of the level of exposure to credit risk the Bank faced as at 30 June 2016 and 2015, without considering any collateral held or other credit enhancements. For on-balance sheet assets, the above stated exposure is based on their carrying amount on the balance sheet.

As seen in the table above, 65.7% of total maximum exposure results from loans and advances to customers (2015: 68.7%).

The Bank's management trusts its capacity to control and maintain a minimal exposure to credit risk, which results mainly from its customer portfolio, based on the following assumptions:

- 54.15% of the amount of loans and advances to customers has eligible collaterals;
- 93.72% of customer loan portfolio is not past due.

- Concentration by activity segment of financial assets with credit risk

The tables below show the exposure of the Bank according to the assets' carrying amount (excluding accrued interest) broken down by activity segment.

Individual

30/06/16	Financial Institutions	Public Sector	Property constr. & develop.	Other Industries	Services	Private	
						Home loans	Other loans
Deposits with banks	89 820						
Financial assets held for trading	1 930		27 841	71	15 133		
Available-for-sale financial assets	177 463	1 242 558		0	15 967		
Loans and advances to banks	1 405 113						
Loans and advances to customers		5 574	803 617	1 129 482	2 362 007	1 676 716	334 581
Investment in subsidiaries and associates	20 243						
Other assets	124 359	77 908		334			
	1 818 928	1 326 040	831 458	1 129 887	2 393 107	1 676 716	334 581

30/06/15	Financial Institutions	Public Sector	Property constr. & develop.	Other Industries	Services	Private	
						Home loans	Other loans
Deposits with banks	56 718						
Financial assets held for trading	15 328		19 243		13 148		
Available-for-sale financial assets	322 404	1 401 897			88 207		
Loans and advances to banks	68 011						
Loans and advances to customers		5 419	820 159	1 030 882	2 302 714	1 554 678	199 161
Non-current assets held for sale					20 747		
Other assets	144 318	18 838					
	606 779	1 426 154	839 402	1 030 882	2 424 816	1 554 678	199 161

Consolidated

30/06/16	Financial Institutions	Public Sector	Property constr. & develop.	Other Industries	Services	Private	
						Home loans	Other loans
Deposits with banks	89 820						
Financial assets held for trading	1 930		27 841	71	15 133		
Available-for-sale financial assets	140 374	1 242 558		0	15 967		
Loans and advances to banks	1 405 171						
Loans and advances to customers		5 574	822 656	1 203 040	2 328 670	1 676 716	334 581
Investment in subsidiaries and associates	20 243						
Other assets	124 359	78 199		365			
	1 781 897	1 326 331	850 497	1 203 476	2 359 770	1 676 716	334 581

3.4 Geographic breakdown of assets, liabilities and off-balance sheet items

The Bank operates fully on the national market. Therefore, it is not relevant to perform an analysis by geographical sector, since there is no identifiable item within a specific economic environment that is subject to differentiated risks or benefits.

3.5 Market risk

Market Risk is the probability of negative impact on the Bank's earnings or capital due to adverse changes in the market prices of the instruments in the trading book, caused by the volatility of equity prices, interest rates, and foreign exchange rates.

As at 30 June 2016, the Bank's portfolio amounted to around 1.8 billion euros, of which only around 0.47 million euros were classified as financial assets held for trading.

- Risk-sensitivity analysis

In the scope of the stress test performed, Banco Popular carries out a sensitivity analysis to a 30% fluctuation in stock indexes. In case of devaluation within such order of magnitude, we can conclude that there is no need for additional capital.

We would also like to add that on that date, market risk represented only around 0.002% of total risk weighted assets (RWA) calculated pursuant to CRD IV/CRR.

3.6 Exchange rate risk

The national currency equivalent, in thousands of euros, of assets and liabilities at sight expressed in foreign currency is as follows:

Individual

30 June 2016	USD	GBP	CHF	JPY	CAD	AUD	NOK	Other
Assets								
Cash and cash equivalents	172	119	80	7	39	9	4	13
Deposits with banks	12 457	8 481	424	44	762	4 407	2 923	272
Available-for-sale financial assets	58	-	-	-	-	-	-	-
Loans and advances to banks	36 704	18 403	-	-	-	-	-	-
Loans and advances to customers	3 171	1 474	-	-	-	-	-	-
Other assets	3 685	259	2	5	3	256	2	1
	56 247	28 736	506	56	804	4 672	2 929	286
Liabilities								
Deposits from banks	37 289	18 412	373	52	23	-	-	147
Deposits from customers	59 617	9 435	118	-	786	4 457	2 926	156
Other liabilities	2 738	798	11	1	31	309	18	2
	99 644	28 645	502	53	840	4 766	2 944	305
Net balance sheet position	- 43 397	91	4	3	- 36	- 94	- 15	- 19
Foreign exchange forward transactions	44 967	-	-	-	-	-	-	- 13
Net position	1 570	91	4	3	- 36	- 94	- 15	- 32

30 June 2015	USD	GBP	CHF	JPY	CAD	AUD	NOK	Other
Total assets	114 381	508	376	5	2 235	790	186	143
Total liabilities	171 299	49 186	347	40	2 810	5 672	2 986	142
Net balance sheet position	- 56 918	- 48 678	29	- 35	- 575	- 4 882	- 2 800	1
Foreign exchange forward transactions	40 384	33 723	-	-	650	4 804	2 728	149
Net position	- 16 534	- 14 955	29	- 35	75	- 78	- 72	150

Consolidated

30 June 2016	USD	GBP	CHF	JPY	CAD	AUD	NOK	Other
Assets								
Cash and cash equivalents	172	119	80	7	39	9	4	13
Deposits with banks	12 457	8 481	424	44	762	4 407	2 923	272
Available-for-sale financial assets	58	-	-	-	-	-	-	-
Loans and advances to banks	36 704	18 403	-	-	-	-	-	-
Loans and advances to customers	3 251	1 474	-	-	-	-	-	-
Other assets	3 685	259	2	5	3	256	2	1
	56 327	28 736	506	56	804	4 672	2 929	286
Liabilities								
Deposits from banks	37 289	18 412	373	52	23	-	-	147
Deposits from customers	59 617	9 435	118		786	4 457	2 926	156
Other liabilities	2 818	798	11	1	31	309	18	2
	99 724	28 645	502	53	840	4 766	2 944	305
Net balance sheet position	- 43 397	91	4	3	- 36	- 94	- 15	- 19
Foreign exchange forward transactions	44 967	-	-	-	-	-	-	- 13
Net position	1 570	91	4	3	- 36	- 94	- 15	- 32

- Risk-sensitivity analysis

The activity of Banco Popular Portugal regarding foreign currency consists in making transactions based on customer operations. In this framework, the overall foreign exchange position of the Bank is virtually non-existent.

Thus, as can be seen, whatever the impact of foreign currency prices on foreign exchange terms, it is financially immaterial for the Bank’s income, which is why no risk-sensitivity analysis are carried out.

3.7 Interest rate risk

This risk assesses the impact on net interest income and equity as a result in fluctuation in market interest rates.

The interest rate risk of the balance sheet is measured using a repricing gap model applied to assets and liabilities that are susceptible to interest rate fluctuations pursuant to Instruction No. 19/2005 issued by the Bank of Portugal. Briefly, this model groups assets and liabilities that are sensitive to fluctuations at fixed time brackets (maturity dates or the first interest rate revision in case of indexation), from which one calculates the potential impact on the intermediation margin.

Maturity and repricing gap for the Bank's activity as at 30 June 2016

	Up to 1 month	1 to 3 months	3 to 12 months	Over 12 months	Not sensitive	Total
Cash and Currency Market	257 980	1 259 175	34	-	60 669	1 577 859
Loans and advances to customers	1 308 601	1 901 632	2 172 359	526 717	49 604	5 958 914
Securities market	14 000	593 053	243 000	80 990	258 072	1 189 116
Other assets	-	-	-	-	551 429	551 429
Total Assets	**1 580 581**	**3 753 861**	**2 415 393**	**607 707**	**919 774**	**9 277 317**
Currency market	771 199	1 830 753	1 036 841	50 000	0.01	3 688 793
Deposit market	904 476	476 813	1 598 823	1 816 570	31 673	4 828 355
Securities market	4 536	-	22 000	-	542	27 078
Other liabilities	-	-	-	-	301 298	301 298
Total Liabilities	**1 680 211**	**2 307 566**	**2 657 664**	**1 866 570**	**333 513**	**8 845 524**
Gap	**(99 630)**	**1 446 295**	**(242 271)**	**(1 258 863)**	**586 261**	
Accumulated gap	**(99 630)**	**1 346 665**	**1 104 394**	**(154 469)**	**431 792**	

Maturity and repricing gap for the Bank's activity as at 30 June 2015

	Up to 1 month	1 to 3 months	3 to 12 months	Over 12 months	Not sensitive	Total
Gap	**(963 222)**	**1 787 393**	**(389 978)**	**(262 106)**	**548 391**	
Accumulated gap	**(963 222)**	**824 171**	**434 193**	**172 087**	**720 478**	

- Risk-sensitivity analysis

Pursuant to the referred to model, the Bank calculates the potential impact on net interest income and net income.

In the table below, this model considers a potential 1% immediate impact on interest rates, i.e., on the date interest rates are revised. Therefore, the new interest rates will start to show this effect both on assets and liabilities.

	Up to 1 month	1 to 3 months	3 to 12 months	Over 12 months	Not sensitive	Total
Cash and Currency Market	257 980	1 259 175	34	-	60 669	1 577 859
Loans and advances to customers	1 308 601	1 901 632	2 172 359	526 717	49 604	5 958 914
Securities market	14 000	593 053	243 000	372 838	258 072	1 480 964
Other assets	-	-	-	-	551 429	551 429
Total Assets	**1 580 581**	**3 753 861**	**2 415 393**	**899 555**	**919 774**	**9 569 165**
Currency market	771 199	1 830 753	1 036 841	50 000	5 518	3 694 312
Deposit market	904 476	476 813	1 598 823	1 816 570	26 137	4 822 819
Securities market	4 536	-	22 000	-	989	27 525
Other liabilities	-	-	-	-	252 320	252 320
Total Liabilities	**1 680 211**	**2 307 566**	**2 657 664**	**1 866 570**	**284 964**	**8 796 975**
Gap	(99 630)	1 446 295	(242 271)	(967 015)	634 810	
Accumulated gap	(99 630)	1 346 665	1 104 394	137 379	772 189	
Impact of a 1% increase	(42)	666	10 581			
Accumulated impact	(42)	625	11 205			

Accumulated effect	11 205
Net interest income	133 052
Accumulated gap	8.42%

3.8 Liquidity risk

The Bank permanently follows the evolution of its liquidity, monitoring cash inflows and outflows at all times. Liquidity projections are prepared in order to allow for careful planning of short and medium-term funding strategies.

The Bank's primary source of funding are deposits from customers, complemented by access to the capital markets via bond issues and to the interbank market, where we focus on operations with Banco Popular Group. Simultaneously the Bank has tried to ensure other sources of funding, carefully selected for each maturity depending on pricing, stability, speed of access, depth, and compliance with the pre-established risk management policies.

The liquidity management process, as performed by the Bank, includes:

- The daily funding needs that are managed by monitoring future cash flows in order to guarantee that the requirements are met. This includes write-backs as loans mature or are granted to customers;
- Maintaining a high-liquidity asset portfolio so that these can be easily converted into cash as a protection against any unexpected interruption in cash flows;
- Monitoring liquidity ratios taking into account external and internal requirements;
- Managing the concentration and profile of debt maturities resorting to the liquidity gap model.

Besides the obligations established by the Bank of Portugal under the terms of Instruction No. 13/2009, the Bank also resorts to the concept of liquidity gap, i.e., from the balance sheet of the Bank as at 30 June 2016, based on the maturities of assets and liabilities it is possible to ascertain the ratio between the referred to maturities (positive or negative) according to residual maturity deadlines called liquidity gaps. The Bank also calculates LCR (Liquidity Coverage Ratio), NSFR (Net Stable Funding Ratio), and ALMM (Additional Liquidity Monitoring Metrics), with the aim to monitor the evolution of liquidity and report it to the supervising authorities.

The table below presents the Bank’s balance sheet (without accrued interest) at the end of June 2016 with the main classes grouped by maturity date:

Individual liquidity gap of the balance sheet as at 30 June 2016

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Cash and balances with central banks	82 867				
Deposits with banks	89 820				
Financial assets held for trading	1 693	14	4 966	16 284	15 724
Available-for-sale financial assets	-	-	216 443	629 399	590 146
Loans and advances to banks	141 858	1 258 071	4 050	-	1 134
Loans and advances to customers	788 954	357 456	980 273	1 650 328	2 138 281
Other assets	362	31	49 786	173 925	334
Total Assets	**1 105 554**	**1 615 572**	**1 255 518**	**2 469 936**	**2 745 619**
Deposits with central banks					
Financial liabilities held for trading	1 729	1	4 444	16 130	15 566
Deposits from banks	770 276	1 672 498	843 772	206 250	200 000
Deposits from customers	2 207 489	466 868	1 603 094	532 127	80
Debt securities issued	4 536	-	20 928	1 072	-
Current income tax liabilities			521		
Other liabilities	3 384	1 809	33 827	72	7 224
Total Liabilities	**2 987 414**	**2 141 176**	**2 506 586**	**755 651**	**222 870**
Gap	**(1 881 860)**	**(525 604)**	**(1 251 068)**	**1 714 285**	**2 522 749**
Accumulated gap	**(1 881 860)**	**(2 407 464)**	**(3 658 532)**	**(1 944 247)**	**578 502**
Liquidity gap as at 30 June 2015					
Gap	**(2 026 542)**	**(427 955)**	**(2 117 117)**	**2 060 394**	**3 104 102**
Accumulated gap	**(2 026 542)**	**(2 454 497)**	**(4 571 614)**	**(2 511 220)**	**592 882**

Consolidated liquidity gap of the balance sheet as at 30 June 2016

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Cash and balances with central banks	82 867				
Deposits with banks	89 820				
Financial assets held for trading	1 693	14	4 966	16 284	15 724
Available-for-sale financial assets	-	-	216 443	629 399	553 057
Loans and advances to banks	141 858	1 258 071	4 050	-	1 134
Loans and advances to customers	775 556	414 078	987 036	1 650 362	2 138 281
Other assets	393	31	49 786	173 925	334
Total Assets	**1 092 187**	**1 672 194**	**1 262 281**	**2 469 970**	**2 708 530**
Deposits with central banks					
Financial liabilities held for trading	1 729	1	4 444	16 130	15 566
Deposits from banks	770 276	1 672 498	843 772	206 250	200 000
Deposits from customers	2 205 338	466 868	1 603 094	532 127	80
Debt securities issued	4 536	-	20 928	1 072	-
Current income tax liabilities			903		
Other liabilities	12 599	7 885	35 068	76	7 224
Total Liabilities	**2 994 478**	**2 147 252**	**2 508 209**	**755 655**	**222 870**
Gap	**(1 902 291)**	**(475 058)**	**(1 245 928)**	**1 714 315**	**2 485 660**
Accumulated gap	**(1 902 291)**	**(2 377 349)**	**(3 623 277)**	**(1 908 962)**	**576 698**

- Off-balance sheet exposures (Liquidity risk)

As at 30 June 2016, maturities for the contracted amounts of off-balance sheet financial instruments that may commit the Bank to lending and other facilities to customers were as follows:

Individual

30/06/16	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated
Contingent liabilities:						
Documentary credits	-	-	-	-	-	44 614
Guarantees and Sureties	5 922	6 546	16 143	47 008	4 615	305 639
Commitments:						
Irrevocable loans	-	-	-	-	-	-
Revocable loans	52 528	81 301	332 612	28 767	113 279	255 172
Total	**58 450**	**87 847**	**348 755**	**75 775**	**117 894**	**605 425**

30/06/15	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated
Contingent liabilities:						
Documentary credits	-	-	-	-	-	42 518
Guarantees and Sureties	2 629	5 113	10 300	51 451	4 992	280 925
Commitments:						
Irrevocable loans	-	-	-	-	-	-
Revocable loans	44 453	69 834	295 860	20 100	106 450	234 077
Total	**47 082**	**74 947**	**306 160**	**71 551**	**111 442**	**557 520**

Consolidated

30/06/16	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated
Contingent liabilities:						
Documentary credits	-	-	-	-	-	44 614
Guarantees and Sureties	5 922	6 546	16 143	47 008	4 615	305 639
Commitments:						
Irrevocable loans	-	-	-	-	-	-
Revocable loans	187 979	172 549	190 961	28 767	113 279	255 228
Total	**193 901**	**179 095**	**207 104**	**75 775**	**117 894**	**605 481**

3.9 Operational risk

Banco Popular Portugal interprets Operational Risk as defined in the Basel II Accord, i.e., as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The management process is based on an analysis by functional area listing the risks inherent in the specific functions and tasks of each body in the structure.

Involving the whole organization, the management model is ensured by the following structures:

Executive Committee (CE) – top management structure that is the main responsible for management guidelines and policies, establishing and monitoring risk appetite and risk tolerance limits.

Risk Management (DGR) - integrates the unit exclusively dedicated to managing operational risk. It is in charge of boosting and coordinating the remaining structures towards the application of methodologies and employment of corporate tools to support the model.

Heads of Operational Risk (RRO) – corresponds to the basis of the organization, these are elements appointed by the hierarchies of each organic unit who have the role of facilitators and promoters of the operational risk management model.

In the process of operational risk management, they also play a key role in the auditing structures, internal control and security of the Bank.

3.10 Fiduciary activities

The Bank provides custody services, guarantees, corporate management services, investment management and third party advisory services. These activities demand the allocation of assets and purchasing and sale transactions regarding a wide range of financial instruments. These assets, which are kept in fiduciary capacity, are not included in these financial statements. As at 30 June 2016, the Bank held investment accounts in the amount of 5 615 124 thousand euros (2015: 6 112 296 thousand euros) and managed estimated financial assets in the amount of 175 742 thousand euros (2015: 170 797 thousand euros).

3.11 Capital management and disclosures

The main objective of capital management at the Bank is meeting the minimum requirements defined by supervisory entities in terms of capital adequacy and ensuring that the strategic objectives of the Bank in terms of capital adequacy are met.

The definition of the strategy to adopt in terms of capital management is in the scope of the Bank's Board of Directors.

In prudential terms, the Bank is subject to the supervision of the Bank of Portugal, which issues the rules and regulations regarding this matter that guide the several institutions under their supervision. These rules and regulations determine a minimum ratio of total own funds in relation to the requirements of committed risks that the institutions must abide by.

As at 30 June 2016, Core Tier 1 ratio calculated pursuant to CRD IV/CRR stood at 13.8% (2015: 12.0%) highly above the minimum amount required by the Bank of Portugal (7%).

	Consolidated	Individual
	30/06/16	**30/06/16**
Own funds		
Common Equity Tier 1 (CET1)	757,857	757,958
Basic own funds (Tier 1)	757,857	757,958
Eligible own funds (Total)	757,857	757,958
Risk-weighted assets (RWA)	**5,392,943**	**5,489,863**
Solvency ratios		
CET1	14.1%	13.8%
Tier 1	14.1%	13.8%
Total	14.1%	13.8%

4. Estimates and assumptions in the application of accounting policies

The Bank makes estimates and assumptions with impact on the reported amount of assets and liabilities in the following year. These estimates and assumptions are continuously assessed and conceived based on historical data and other factors, such as expectations regarding future events.

a) Impairment losses on loans

Every month, the Bank assesses its securities portfolio to evaluate potential impairment losses. In determining whether an impairment loss should be recorded in the income statement, the Bank analyses observable data that may be indicative of a measurable decrease in estimated cash flows both of the trading book and of specific individual cases within a trading book. This analysis may indicate, for example, an adverse event in the capacity of a customer to pay a loan or the worsening of macroeconomic conditions and related indicators. Management uses estimates based on historical data available for assets with similar credit risk and possible impairment losses. The methodology and assumptions used to calculate these estimates are revised regularly aiming at reducing any differences between estimated and actual losses.

b) Fair value of derivatives and unlisted financial assets

The fair value of derivatives and unlisted financial assets was determined based on evaluation methods and financial theories whose results depend on the assumptions that have been used.

c) Impairment of equity investments in the portfolio of Available-for-sale financial assets

The Bank determines that there is impairment of equity investments of available-for-sale assets when there has been a significant or prolonged decline in the fair value below its cost. The required quantification for the expressions ‘significant’ and ‘prolonged’ imply professional judgement. When making this judgement, the Bank assesses among other factors the normal volatility of share prices. As a complement, impairment should be recognised when there are events that show the deterioration of the viability of the investment, the performance of the industry and the sector, technological changes and operational and financial cash flows.

d) Retirement and survivor's pensions

Liabilities for retirement and survivor’s pensions are estimated based on actuarial tables and assumptions on the growth of pensions and salaries. These assumptions are based on the Bank’s expectations for the period when the liabilities are to be settled.

e) Deferred taxes

The recognition of a deferred tax asset assumes the existence of profit and a future tax base. Deferred tax assets and liabilities have been determined based on tax legislation currently in effect or on legislation already published for future application. Changes in the interpretation of tax legislation may influence the amount of deferred tax that has been recognised.

5. Segmental reporting

The Bank operates essentially in the financial sector and its activity is targeted at corporate, institutional and private customers.

The products and services offered by the Bank include deposits, loans to companies and private individuals, brokerage and custody services, investment banking services, and selling investment funds and life and non-life insurance. Additionally, the Bank makes short, medium, or long term investments in financial and foreign exchange markets in order to take advantage of price variations or as a means to make the most of available financial assets.

Banco Popular operates in the following segments:

(1) *Retail Banking*, which includes the sub-segments: Private Individuals, Self-employed people, Small and Medium-sized Enterprises, and Private Welfare Institutions;
(2) *Commercial Banking*, which includes Large Corporations, Financial Institutions, and the Public Administration Sector;
(3) *Other Segments*, which groups all the operations that are not included in the other segments, namely operations and management of the Bank's Own Portfolio and Investments in Banks.

Geographically, Banco Popular operates exclusively in Portugal.

Segmental reporting is as follows:

Individual

30/06/16	Retail Banking	Commercial Banking	Other Segments	Total
Interest and similar income	50 347	26 521	25 647	102 515
Interest and similar charges	(18 515)	(2 015)	(15 459)	(35 989)
Revenue from equity instruments	-	-	94	94
Fees and Commissions received	1 991	1 159	18 062	21 212
Fees and Commissions paid	(267)	(2)	(2 425)	(2 694)
Income from Financial Operations (net)	74	-	18 659	18 733
Income from the sale of other assets	-	-	(6 023)	(6 023)
Other Operating Income (net)	161	478	(8 035)	(7 396)
Net assets	3 785 489	3 581 197	2 202 479	9 569 165
Liabilities	3 876 365	4 643 273	277 338	8 796 976

30/06/15	Retail Banking	Commercial Banking	Other Segments	Total
Interest and similar income	58 633	30 099	25 056	113 788
Interest and similar charges	(26 703)	(2 468)	(17 042)	(46 213)
Revenue from equity instruments	-	-	62	62
Fees and Commissions received	7 505	4 532	9 518	21 555
Fees and Commissions paid	(482)	(1)	(3 085)	(3 568)
Income from Financial Operations (net)	17	-	787	804
Income from the sale of other assets	-	-	42	42
Other Operating Income (net)	-	-	46 804	46 804
Net assets	3 568 891	1 949 102	2 667 071	8 185 064
Liabilities	3 311 642	2 956 232	1 189 479	7 457 353

Consolidated

30/06/16	Retail Banking	Commercial Banking	Other Segments	Total
Interest and similar income	50 347	29 429	25 647	105 423
Interest and similar charges	(18 515)	(2 015)	(15 459)	(35 989)
Revenue from equity instruments	-	-	94	94
Fees and Commissions received	1 991	783	18 062	20 836
Fees and Commissions paid	(267)	(149)	(2 425)	(2 841)
Income from Financial Operations (net)	74	-	18 660	18 734
Income from the sale of other assets	-	-	(6 023)	(6 023)
Other Operating Income (net)	161	349	(8 035)	(7 525)
Net assets	3 785 489	3 598 457	2 202 479	9 586 425
Liabilities	3 876 365	4 659 416	277 338	8 813 119

6. Net interest income

This item is broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Interest and similar income from:			
Cash and cash equivalents	42	42	24
Deposits with banks	995	995	105
Loans and advances to customers	75 502	72 760	90 141
Other financial assets at fair value	0	0	0
Other available-for-sale financial assets	20 804	20 804	23 448
Held-to-maturity investments	0	0	0
Loan-related fees and commissions	8 019	7 853	
Other	61	61	69
	105 423	102 515	113 787
Interest and similar charges from:			
Deposits from central banks	0	0	226
Deposits from banks	2 050	2 050	1 861
Deposits from customers	20 043	20 043	26 754
Debt securities issued	977	977	3 179
Interest from hedging derivatives	12 918	12 918	14 121
Other	1	1	71
	35 989	35 989	46 212
Net interest income	**69 434**	**66 526**	**67 575**

7. 7. Return on equity instruments

Balance for this item is as follows:

	INDIVIDUAL	
	30/06/16	30/06/15
Available-for-sale financial assets	94	62
	94	62

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

8. Revenue and expense with fees and commissions

These items are broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Revenue from Fees and Commissions from:			
Guarantees and sureties	2 020	2 020	3 034
Means of collection and payment	7 502	7 502	8 276
Asset management	2 079	2 079	2 200
Insurance brokerage	1 199	1 199	782
Account maintenance	3 158	3 158	2 779
Processing fees	796	796	774
Structured operations	1 092	1 092	812
Other	2 990	3 366	2 898
	20 836	**21 212**	**21 555**
Expenses with Fees and Commissions from:			
Means of collection and payment	1 350	1 350	1 846
Asset management	919	919	941
Brokers and agents	270	270	373
Other	302	155	408
	2 841	**2 694**	**3 568**

9. Net income from financial operations

This item is broken down as follows:

Individual

	30/06/16		30/06/15	
	Gains	Losses	Gains	Losses
Financial assets and liabilities held for trading				
Variable-income securities	28	244	118	235
Derivative financial instruments	15 968	15 898	22 511	21 519
	15 996	**16 142**	**22 629**	**21 754**
Hedging derivatives at fair value	55 709	79 396	48 642	49 598
Hedging derivatives at fair value				
Fixed income securities	39 349	553	-	-
Variable-income securities	2 993	0	-	1
	42 342	**553**	**0**	**1**
Income from financial assets and liabilities held for trading through profit or loss	**114 047**	**96 091**	**71 271**	**71 353**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

During the first half of 2016, the Bank received 11.0 thousand euros in dividends from financial assets held for trading (2015: 27.1 thousand euros). In 2016 and 2015 the Bank did not earn any income from financial assets at fair value through profit or loss.

The effect seen in the item Hedging derivatives at fair value results from fluctuations in the fair value of hedge instruments (interest rate swaps) and variations in the fair value of hedged assets, resulting from the hedged risk (interest rate). Since the hedging instrument is accounted for in the Available-for-sale financial assets portfolio, that variation in fair value is carried from Fair value revaluation reserve to the income statement.

10. Net gains from foreign exchange differences

These items are broken down as follows:

Individual	30/06/16	30/06/15
Exchange gains		
Spot	16	74
Forward	2 783	3 447
	2 799	3 521
Exchange losses		
Spot	-	-
Forward	2 022	2 634
	2 022	2 634
Income from exchange differences (net)	**777**	**887**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

11. Net gains from the sale of other assets

This item is broken down as follows:

Individual	30/06/16	30/06/15
Gains from the sale of tangible assets held for sale	382	345
Gains from other tangible assets	4	4
	386	349
Losses from the sale of tangible assets held for sale	6 409	307
	6 409	307
	(6 023)	**42**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

12. Other operating income

This item is broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Contributions to the DGF	(2)	(2)	(83)
Contributions to the Resolution Fund	(990)	(990)	(445)
Contributions to the Single Resolution Fund	(3 123)	(3 123)	-
Contributions to the Investor Compensation Scheme	(5)	(5)	-
Other operating expenses	(2 596)	(2 410)	(2 148)
Council tax	(293)	(292)	(282)
Other taxes	(413)	(413)	(343)
Contribution on the banking sector	(2 591)	(2 591)	(2 624)
Income from staff transfer	599	599	684
Income from real estate properties	296	296	435
Capital gains on the sale of business unit	-	-	48 667
Loan, interest and expense recovery	1 192	1 188	1 789
Other operating income and revenues	401	347	1 154
	(7 525)	**(7 396)**	**46 804**

The amount in the capital gains item, in June 2015, is due to the income obtained from the sale of the business unit in charge of managing real estate and credit exposures of customers associated with the real estate sector from Banco Popular Portugal to Recbus - Recovery to Business, S.A. ('Recbus, S.A.'), 20% owned by Banco Popular Español. This transaction implied the transference of the legal status of employer in the employment contracts of this unit's employees, who are now employed by Recbus, S.A. Also in this regard, several agreements have been signed, among which a service rendering contract between the Bank and Recbus, S.A., for the management of the concerned assets for a period of 10 years.

13. Personnel expenses

This item is broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Wages and salaries	17 577	17 180	21 687
Obligatory social security charges from:			
- Wages and salaries	5 218	5 099	5 864
- Pension Fund	2 225	2 225	2 011
- Other obligatory social security charges	102	98	91
Other expenses	293	233	312
	25 415	**24 835**	**29 965**

14. Administrative overheads

This item is broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
With supplies			
Water, energy and fuel	692	691	840
Items of regular consumption	133	131	106
Software licences	179	179	180
Other third party supplies	245	245	161
With services			
Rents and leasing	2 182	2 139	2 219
Communications	1 900	1 928	2 040
Travel, hotel and representation	598	584	641
Advertising and publications	1 031	1 010	1 995
Maintenance of premises and equipment	1 622	1 621	1 527
Transports	528	528	625
Fees and regular payment agreements	1 319	1 320	2 032
Legal expenses	1 011	971	1 009
IT Services	4 909	4 887	4 894
Security, surveillance and cleaning	205	205	217
Temporary work	1 976	1 976	2 010
External consultants and auditors	461	432	268
SIBS	583	583	510
Services rendered by the parent company	1 603	1 568	1 600
Other third party services	4 532	4 537	1 529
	25 709	**25 535**	**24 403**

15. Income tax

Income tax for the first half of 2016 was calculated based on a nominal rate of 21% over the tax base (21% in 2015). Both in 2016 and 2015, besides the nominal rate, a municipal surcharge of 1.5% was also levied on taxable income, as well as a variable state surcharge that depended on the below indicated tiers:

- Less than 1.5 M€	0%
- Between 1.5 M€ and 7.5 M€	3%
- Between 7.5 M€ and 35 M€	5%
- Over 35 M€	7%

In March 2016, Banco Popular Portugal, S.A., joined the Special Tax Framework for Groups of Companies (Regime Especial de Tributação para Grupos de Sociedades - RETGS), having appointed its sole shareholder, Banco Popular Español, S.A. (BPE), as the leading company in the tax group of companies it owns in Portugal with a stake of 75% or higher, taking the responsibility for the fulfilment of the obligations of the dominant company. The companies owned by BPE that comprise the aforementioned tax group are the following: Popular Factoring, S.A.; Popular Gestão de Activos, S.A.; Eurovida - Companhia de Seguros de Vida, S.A.; Popular Seguros - Companhia de Seguros, S.A.; and Consulteam - Consultores de Gestão, Lda.

As at 30 June 2016, tax expenses on net profit, as well as the tax burden, measured by the relation between income taxes and the profit for the year in the scope of RETGS may be summed up as follows:

Fiscal Consolidation Basis - RETGS

	30/06/16
Current tax on profits	
For the year	(1 849)
Adjustments in respect of prior years	466
	(1 383)
Deferred taxes	
Origination and reversal of temporary differences	3 430
Total tax in the income statement	2 047
Income before tax (Fiscal Consolidation)	(6 449)
Tax burden	(31.74%)

As at 30 June 2016 and 2015, tax expenses on individual net profit (excluding RETGS) attributed to Banco Popular, S.A., as well as the tax burden, measured by the relation between income taxes and the profit for the year before those taxes may be summed up as follows:

	30/06/16	30/06/15
Current tax on profits		
For the year	409	9 770
Adjustments in respect of prior years	466	41
	875	9 811
Deferred taxes		
Origination and reversal of temporary differences	3 385	2 935
Total tax in the income statement	4 260	12 746
Net income before tax	11 839	44 741
Tax burden	36.0%	28.5%

The reconciliation between the nominal tax rate and the tax burden for 2016 and 2015, as well as the reconciliation between tax expense/income and the product of the individual accounting profit multiplied by the nominal tax rate, after deferred tax, is analysed as follows:

	30/06/16		30/06/15	
	Tax rate	Amount	Tax rate	Amount
Income before tax		11 839		44 741
Tax at nominal rate	21.0%	2 486	21.0%	9 396
Municipal surcharge after deferred tax	0.4%	51	8.7%	3 884
Autonomous taxation	1.9%	222	0.7%	305
Tax benefits	(0.44%)	(52)	(0.19%)	(84)
Effect of provisions not acceptable as costs	1.6%	189	(1.66%)	(744)
Other net value adjustments	7.2%	860	0.1%	47
Contribution on the banking sector	4.6%	544	1.2%	551
Tax loss	(4.27%)	(506)	(1.45%)	(650)
Tax from previous years	3.9%	466	0.1%	41
	36.0%	**4 260**	**28.5%**	**12 746**

For additional information on deferred tax assets and liabilities see Note 28.

16. Financial assets and liabilities classified in accordance with IAS 39 categories

Classification of financial assets and liabilities in accordance with IAS 39 categories has the following structure:

Individual

30/06/16	Booked at fair value		Accounts receivable	Available-for-sale financial assets	Hedging derivatives	Non-fin. assets	Total
	Trading	Fair value op.					
Assets							
Cash and balances with central banks			82 867				82 867
Deposits with banks			89 820				89 820
Financial assets held for trading	44 975						44 975
Other fin. assets at fair value thr. prof./loss							0
Available-for-sale financial assets				1 435 988			1 435 988
Loans and advances to banks			1 405 171				1 405 171
Loans and advances to customers			5 958 914				5 958 914
Hedging derivatives					0		0
Other assets			218 926			191,197	410 123
	44 975	**0**	**7 755 698**	**1 435 988**	**0**	**191 197**	**9 427 858**

30/06/16	Booked at fair value	Other financial liabilities	Hedging derivatives	Non-fin. liabilities	Total
	Trading				
Liabilities					
Deposits from central banks					0
Deposits from banks		3 694 312			3 694 312
Financial liabilities held for trading	47 835				47 835
Deposits from customers		4 822 819			4 822 819
Debt securities issued		27 525			27 525
Hedging derivatives			75 761		75 761
Other liabilities		46 316		64 015	110 331
	47 835	**8 590 972**	**75 761**	**64 015**	**8 778 583**

30/06/15	Booked at fair value Trading	Fair value op.	Accounts receivable	Available-for-sale financial assets	Non-fin. assets	Total
Assets						
Cash and balances with central banks			73 032			73 032
Deposits with banks			56 718			56 718
Financial assets held for trading	47 718					47 718
Other fin. assets at fair value thr. prof./loss						0
Available-for-sale financial assets				1 812 508		1 812 508
Loans and advances to banks			68 036			68 036
Loans and advances to customers			5 539 609			5 539 609
Non-current assets held for sale				20 747		20 747
Other assets			266 212		169,479	435 691
	47 718	**0**	**6 003 607**	**1 833 255**	**169 479**	**8 054 059**

30/06/15	Booked at fair value Trading	Other financial liabilities	Hedging derivatives	Non-fin. liabilities	Total
Liabilities					
Deposits from central banks		900 009			900 009
Deposits from banks		2 087 953			2 087 953
Financial liabilities held for trading	37 633				37 633
Deposits from customers		4 176 555			4 176 555
Debt securities issued		56 470			56 470
Hedging derivatives			108 798		108 798
Other liabilities		26 230		28 011	54 241
	37 633	**7 247 217**	**108 798**	**28 011**	**7 421 659**

Consolidated

30/06/16	Booked at fair value Trading	Fair value op.	Accounts receivable	Available-for-sale financial assets	Hedging derivatives	Non-fin. assets	Total
Assets							
Cash and balances with central banks			82 867				82 867
Deposits with banks			89 820				89 820
Financial assets held for trading	44 975						44 975
Other fin. assets at fair value thr. prof./loss							0
Available-for-sale financial assets				1 398 899			1 398 899
Loans and advances to banks			1 405 171				1 405 171
Loans and advances to customers			6 013 921				6 013 921
Hedging derivatives					0		0
Other assets			224 469			184,401	408 870
	44 975	**0**	**7 816 248**	**1 398 899**	**0**	**184 401**	**9 444 523**

30/06/16	Booked at fair value Trading	Fair value op.	Other financial liabilities	Hedging derivatives	Non-fin. liabilities	Total
Liabilities						
Deposits from central banks						0
Deposits from banks			3 694 312			3 694 312
Financial liabilities held for trading	47 835					47 835
Deposits from customers			4 820 668			4 820 668
Debt securities issued			27 525			27 525
Hedging derivatives				75 761		75 761
Other liabilities			62 852		65 391	128 243
	47 835	**0**	**8 605 357**	**75 761**	**65 391**	**8 794 344**

17. Cash and balances with Central Banks

The balance of this item is broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Cash and cash equivalents	43 860	43 860	39 872
Demand accounts with the Bank of Portugal	39 007	39 007	33 160
	82 867	**82 867**	**73 032**

Deposits with Central Banks include mandatory deposits with the Bank of Portugal intended to meet legal minimum cash requirements.

18. Deposits with banks

Balance for this item is as follows:

Individual	30/06/16	30/06/15
Deposits with banks in Portugal		
Demand accounts	456	511
Cheques payable	17 150	18 669
Other deposits	862	1 052
	18 468	20 232
Deposits with banks abroad		
Demand accounts	70 146	35 166
Cheques payable	1 206	1 320
	71 352	36 486
	89 820	**56 718**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

Cheques payable from Portuguese and foreign banks were sent for settlement on the first working day after the reference dates.

19. Financial assets and liabilities held for trading

The Bank uses the following derivatives:

Currency forward represents a contract between two parties for the exchange of currencies at a determined exchange rate established at the moment of the accomplishment of the contract (forward) for a determined future date. These operations have the purpose of hedging and managing currency risk, through the elimination of the uncertainty of the future value of certain exchange rate, which is immediately fixed by the forward operation.

Interest rate swap, which in conceptual terms can be perceived as an agreement between two parties who compromise to exchange (swap) interest rate differential between them for a specified amount and period of time, periodic payments of fixed rate for floating rate payments. It involves a single currency and consists in the exchange of fixed cash flows for variable ones or vice versa. This kind of instrument is aimed at hedging and managing the interest rate risk, regarding the income of a financial asset or the cost of a loan that a given entity intends to take in a determined future moment.

The fair value of derivative instruments held for trading is set out in the following table:

30/jun/2016

	Contract value (Notional amount)	Fair value Assets	Fair value Liabilities
Trading derivatives			
a) Foreign currency derivatives			
Currency forwards	53 052	1 150	59
b) Interest rate derivatives			
Interest rate swaps	370 055	43 237	47 657
Options	38 648	119	119
Total derivatives held for trading (assets/liabilities)		44 506	47 835

30/jun/2015

	Contract value (Notional amount)	Fair value Assets	Fair value Liabilities
Trading derivatives			
a) Foreign currency derivatives			
Currency forwards	187 643	1 912	925
b) Interest rate derivatives			
Interest rate swaps	363 285	33 167	36 697
Options	34 660	5	11
Total derivatives held for trading (assets/liabilities)		35 084	37 633

As at 30 June 2016, the fair value of other financial assets and liabilities held for trading was as follows:

	30/06/16	30/06/15
Other financial assets		
Variable-income securities		
Equity stakes	469	12 634
	469	12 634
Total	**469**	**12 634**
Total financial assets held for trading	**44 975**	**47 718**
Total financial liabilities held for trading	**47 835**	**37 633**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

20. Investments in subsidiaries and associates

As at 30 June 2016, the Bank only held an equity stake in the associate company Eurovida - Companhia de Seguros de Vida, S.A., booked for 20 243 thousand euros, net of impairment, which was reclassified from non-current assets held for sale.

Effective stake (%)	Consolidated financial results for Eurovida as at 30/06/2016: Net Assets	Shareholders' Equity	Net Profit	Impact of the application of the equity method: On consolidation reserves	On net income
15.9348%	1 015 299	113 516	5 206	-2 984	830

This reclassification results from the fact that IFRS 5 establishes the requirement that for an asset to be classified as non-current its sale should be completed within a year from the date of the reclassification, except as allowed in paragraph 9 of that standard, a situation that was not in effect at the end of December 2015.

21. Available-for-sale financial assets

The balance of this item is broken down as follows:

	30/06/16	30/06/15
Securities issued by residents		
Government bonds - at fair value	224 063	13 614
Other debt securities - at fair value	-	21 359
Equity securities - at fair value	37 849	652
Equity stakes	46 538	46 419
	308 450	82 044
Securities issued by non-residents		
Government bonds - at fair value	865 787	609 843
Other debt securities - at fair value	261 677	1 120 547
Other securities	74	74
	1 127 538	1 730 464
Total	**1 435 988**	**1 812 508**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

As at 30 June 2016, the Bank had no unlisted equity instruments classified as available-for-sale financial assets, which, since their fair value cannot be reliably measured, were recognised as costs (2015: 0 thousand euros).

The Bank has in its available-for-sale financial assets portfolio an investment of 1 362 thousand euros regarding subordinate bonds (Class D Notes) purchased in June 2002 associated with the securitisation of home loans, in the amount of 250 million euros named Navigator Mortgage Finance No. 1.

In the scope of that securitisation operation, assets were acquired by a loan securitisation fund named Navigator Mortgage Finance No. 1, which simultaneously issued securitisation units fully subscribed by Navigator Mortgage Finance No. 1 Plc, which also issued bonds with the following characteristics:

	Nominal value	Rating		Interest rate
	thousand euros	Standard & Poors	Moody's	(until May 2035)
Class A Notes (Senior)	230 000	AAA	Aaa	3 month Euribor+0.21%
Class B Notes (Senior)	10 000	AA	Aa2	3 month Euribor+0.38%
Class C Notes (Senior)	10 000	A	A2	3 month Euribor+0.55%
Class D notes (Subordinate)	4 630	n.a.	n.a.	n.a.

Under the terms of the agreement that was signed the Bank did not assume any commitment regarding cash availabilities of the issuer, as well as liquidity lines, credits, guarantees, rights and residual profits, or any other risks, besides the Class D Notes.

Intervening entities:

- Navigator Mortgage Finance No. 1 Fundo, a Portuguese loan securitization fund that purchased the loans;
- Navigator, SGFTC, a loan securitisation fund manager that manages the fund;

- Navigator Mortgage Finance No. 1 Plc, the company that purchased the securitization units and issued the notes.

The most relevant financial data extracted from Navigator's unaudited financial statements as at 30 June 2016 were as follows:

	30/06/16	30/06/15
Net assets	44 615	50 887
Liabilities	51 641	57 441
Shareholders' equity	(7 026)	(6 554)
Income for the period	(273)	-

22. Loans and advances to banks

The nature of loans and advances to banks is as follows:

	30/06/16	30/06/15
Loans and advances to banks in Portugal		
Time deposits	34	40
Loans	9 050	15 000
Other	85	34
Interest receivable	0	0
	9 169	15 074
Loans and advances to banks abroad		
Time deposits	1 221 327	52 937
Reverse repurchase agreements	171 485	0
Other	3 133	0
Interest receivable	57	25
	1 396 002	52 962
	1 405 171	**68 036**

Set out below is a breakdown of loans and advances to banks by period to maturity:

	30/06/16	30/06/15
Up to 3 months	1 399 929	61 871
From 3 months to 1 year	4 050	5 000
Over 5 years	1 134	1 140
Interest receivable	58	25
	1 405 171	**68 036**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

23. Lending operations

Loans are granted via loan agreements, including overdraft facilities in demand accounts, and by the discount of effects. Total amounts of loans and advances to customers in the balance sheet, by nature, are as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Internal credit operations			
Public sector	**3 508 544**	**3 459 182**	**3 250 146**
Private customers	**2 014 737**	**2 014 737**	**1 905 425**
Residential mortgage loans	1 637 707	1 637 707	1 518 823
Personal and consumer loans	30 700	30 700	36 854
Other personal lending	346 329	346 329	349 748
	5 523 281	**5 473 919**	**5 155 571**
External credit operations			
Public sector	**31 381**	**30 722**	**30 708**
Private customers	**30 400**	**30 400**	**25 851**
Residential mortgage loans	22 310	22 310	19 111
Personal and consumer loans	58	58	26
Other personal lending	8 032	8 032	6 714
	61 781	**61 122**	**56 559**
Other loans (represented by securities)	**380 251**	**380 251**	**336 937**
Interest and commissions receivable	**- 861**	**- 496**	**4 898**
Past-due loans and interest			
Due within 90 days	16 376	9 707	11 236
Over 90 days	390 409	386 978	352 710
	406 785	**396 685**	**363 946**
Gross Total	**6 371 237**	**6 311 481**	**5 917 911**
Minus:			
Customer loan impairment	357 316	352 567	378 302
	357 316	352 567	378 302
Net total	**6 013 921**	**5 958 914**	**5 539 609**

As at 30 June 2016, credit operations included 882 905 thousand euros in mortgage loans assigned to the issuance of mortgage bonds (2015: 871 145 thousand de euros) (Note 33).

Set out below is a breakdown of loans and advances to customers by period to maturity:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Up to 3 months	1 189 668	1 146 410	1 229 482
From 3 months to 1 year	987 036	980 273	943 484
1 to 5 years	1 650 328	1 650 328	1 435 028
Over 5 years	2 138 281	2 138 281	1 941 073
Undetermined maturity (past due)	406 785	396 685	363 946
Interest and commissions receivable	(861)	(496)	4 898
	6 371 237	**6 311 481**	**5 917 911**

Provisions for customer loan losses

The balance of the provision account for specific credit risks is detailed in the following table:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Balance as at 1 January	388 047	383 288	350 832
Appropriations	19 565	19 316	27 993
Used	49 220	49 220	523
Cancelled	1 076	817	-
Balance as at 30 June	357 316	352 567	378 302
Appropriations for provisions	19 565	19 316	27 993
Write-offs	(1 076)	(817)	-
Provisions net of write-offs and recoveries of bad debts	18 489	18 499	27 993

24. Held-to-maturity investments

In June 2013, the Bank sold 210 million of Spanish debt securities that were classified as held-to-maturity investments. Due to this sale, and pursuant to IAS 39, at the end of June, the Bank reclassified the remaining portfolio as available for sale without going through the profit or loss account.

Still pursuant to IAS 39, the Bank may only hold held-to-maturity instruments in 2016.

25. Non-current assets held for sale

As at 30 June 2016, the Bank only held an equity stake in the associate company Eurovida - Companhia de Seguros de Vida, S.A., booked for 20 243 thousand euros (2015: 20 747 thousand euros).

This participation was reclassified in investments in subsidiaries and associates, see Note 20.

26. Other tangible assets

This item is broken down as follows:

Individual

	30/06/2016					30/06/15
	Real estate	Equipment	Art and antiques	Assets in progress	Total	Total
Balance as at 01 January						
Acquisition cost	108 310	49 443	149	65	157 967	160 247
Accumulated depreciation	(38 887)	(48 173)		-	(87 060)	(87 206)
Accumulated impairment	(2 410)				(2 410)	(2 410)
Acquisitions		358		40	398	843
Transfers						
Acquisition cost	(1 502)			(65)	(1 567)	(834)
Accumulated depreciation	277				277	446
Disposals / Write-offs						
Acquisition cost	-	(7)			(7)	(160)
Accumulated depreciation	-	7			7	158
Impairment depreciation	-				-	
Depreciation for the year	(878)	(386)		(2)	(1 266)	(1 426)
Balance as at 30 June						
Acquisition cost	106 808	49 794	149	40	156 791	160 096
Accumulated depreciation	(39 488)	(48 552)		(2)	(88 042)	(88 028)
Accumulated impairment	(2 410)				(2 410)	(2 410)
Net amount	**64 910**	**1 242**	**149**	**38**	**66 339**	**69,658**

Consolidated

	30/06/2016				
	Real estate	Equipment	Art and antiques	Assets in progress	Total
Balance as at 01 January					
Acquisition cost	108 310	49 443	149	65	157 967
Accumulated depreciation	(38 887)	(48 173)		-	(87 060)
Accumulated impairment	(2 410)				(2 410)
Acquisitions		358		40	398
Transfers					
Acquisition cost	(1 191)	611		(65)	(645)
Accumulated depreciation	170	(608)			(438)
Disposals / Write-offs					
Acquisition cost	-	(7)			(7)
Accumulated depreciation	-	7			7
Impairment depreciation	-				-
Depreciation for the year	(880)	(387)		(2)	(1 269)
Balance as at 30 June					
Acquisition cost	107 119	50 405	149	40	157 713
Accumulated depreciation	(39 597)	(49 161)		(2)	(88 760)
Accumulated impairment	(2 410)				(2 410)
Net amount	**65 112**	**1 244**	**149**	**38**	**66 543**

27. Intangible assets

This item is broken down as follows:

Individual

	30/06/2016				30/06/15
	Software	Miscellaneous	in progress	Total	Total
Balance as at 01 January					
Acquisition cost	18 775	2 240	-	21 015	20 864
Accumulated depreciation	(18 760)	(2 109)	-	(20 869)	(20 793)
Acquisitions	39		519	558	4
Transfers					
Acquisition cost				-	-
Accumulated depreciation					
Depreciation for the year	(26)	(29)		(55)	(29)
Balance as at 30 June					
Acquisition cost	18 814	2 240	519	21 573	20 868
Accumulated depreciation	(18 786)	(2 138)	-	(20 924)	(20 822)
Net amount	**28**	**102**	**519**	**649**	**46**

Consolidated

	30/06/2016			
	Software	Miscellaneous	in progress	Total
Balance as at 01 January				
Acquisition cost	18 775	2 240	-	21 015
Accumulated depreciation	(18 760)	(2 109)	-	(20 869)
Acquisitions	39		519	558
Transfers				
Acquisition cost	932			932
Write-offs				
Acquisition cost				-
Accumulated depreciation				-
Accumulated depreciation	(822)			
Depreciation for the year	(36)	(29)		(65)
Balance as at 30 June				
Acquisition cost	19 746	2 240	519	22 505
Accumulated depreciation	(19 618)	(2 138)	-	(21 756)
Net amount	**128**	**102**	**519**	**749**

28. Deferred taxes

Deferred taxes are calculated in respect of all the temporary differences using an effective tax rate of 22.5%, except those regarding tax loss for which a 21% rate was used.

Balances for these items are as follows:

Individual

	Balance as at	Equity		Reserves		Balance as at
	31/12/15	Expense	Income	Increase	Decrease	30/06/16
Deferred Tax Assets						
Available-for-sale securities	20 583			3 377	5 069	18 891
Tangible assets	1 075	51	46			1 070
Taxable provisions	24 400	27 919	28 491			24 972
Fees and commissions	113	15				98
Seniority bonus	1 021	-	33			1 054
RGC provisions	12 671	12 671				0
Other assets/liabilities	7 351	3				7 348
Tax loss	456	1 228	1 415			643
	67 670	41 887	29 985	3 377	5 069	54 076
Deferred Tax Liabilities						
Available-for-sale securities	21 082			8 387	1 832	14 527
Property revaluation	49		1			48
	21 131	-	1	8 387	1 832	14 575

	Balance as at	Equity		Reserves		Balance as at
	31/12/14	Expense	Income	Increase	Decrease	30/06/15
Deferred Tax Assets						
Available-for-sale securities	26 623				3 651	22 972
Tangible assets	1 087	5				1 082
Taxable provisions	20 716	1 870	9 883			28 729
Fees and commissions	143	2				141
Seniority bonus	980		34			1 014
RGC provisions	11 156	12 461	1 305			0
Other assets/liabilities	7 367	4				7 363
Tax loss	7 154	7 799	645			0
	75 226	22 141	11 867	0	3 651	61 301
Deferred Tax Liabilities						
Available-for-sale securities	25 743			7 733	3 031	21 041
Retirement pensions	0					0
Property revaluation	50		1			49
Equity stakes	0					0
	25 793	0	1	7 733	3 031	21 090

Consolidated

	Balance as at	Equity		Reserves		Balance as at
	31/12/15	Expense	Income	Increase	Decrease	30/06/16
Deferred Tax Assets						
Available-for-sale securities	20 583			3 377	5 069	18 891
Tangible assets	1 075	51	46			1 070
Taxable provisions	24 400	27 919	28 511			24 992
Fees and commissions	113	15				98
Seniority bonus	1 021	-	59			1 080
RGC provisions	12 671	12 671	197			197
Other assets/liabilities	7 351	4				7 347
Tax loss	456	1 228	1 415			643
	67 670	41 888	30 228	3 377	5 069	54 318
Deferred Tax Liabilities						
Available-for-sale securities	21 082			8 387	1 832	14 527
Property revaluation	49		1			48
						0
	21 131	-	1	8 387	1 832	14 575

29. Other assets

This item is detailed as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Recoverable government subsidies	91	91	219
Recoverable taxes	23 741	23 741	18 619
Pledge accounts	125 760	125 760	144 906
Other debtors	74 484	74 453	101 864
Other income receivable	261	261	477
Expenses with deferred charges	8 331	8 312	7 782
Asset operations pending settlement - Miscellaneous	19 676	20 979	25 257
Assets received in lieu of payment	190 836	190 836	167 479
Other tangible assets held for sale	1 574	1 574	958
Foreign exchange transactions to be settled	56	56	670
	444 810	**446 063**	**468 231**
Impairment of assets received in lieu of payment	(30 052)	(30 052)	(29 354)
Impairment of other tangible assets held for sale	(376)	(376)	(89)
Provisions for other assets	(5 512)	(5 512)	(3 097)
	408 870	**410 123**	**435 691**

Balances and movements in the accounts of Provisions for other assets are as follows:

	CONSOLIDATED	INDIVIDUAL	
Provisions for other assets	30/06/16	30/06/16	30/06/15
Balance as at 1 January	2 905	2 905	1 224
Appropriations	2 607	2 607	2 150
Used	-	-	-
Cancelled	-	-	277
Balance as at 30 June	**5 512**	**5 512**	**3 097**

Movements in the account Assets received in lieu of payment in 2016 were as follows:

	30/06/2016				30/06/15
	Available-for-sale properties	Properties not available for sale	Equipment	Total	Total
Balance as at 01 January					
Gross amount	193 034	4 109	506	197 649	145 920
Accumulated impairment	(30 285)	(998)	(41)	(31 324)	(27 804)
Net amount	162 749	3 111	465	166 325	118 116
Additions					
Acquisitions	46 638	4 377	77	51 092	30 938
Other	2 263	-	-	2 263	1 123
Disposals					
Gross amount	(59 907)	-	(116)	(60 023)	(10 201)
Transfers	513	(658)	-	(145)	(302)
Impairment losses	(6 932)	-	(45)	(6 977)	(2 523)
Used	6 002	-	62	6 064	745
Reversed	2 183	-	2	2 185	228
Balance as at 31 December					
Gross amount	182 541	7 828	467	190 836	167 478
Accumulated impairment	(29 032)	(998)	(22)	(30 052)	(29 354)
Net amount	153 509	6 830	445	160 784	138 124

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

30. Deposits from central banks

This item is detailed as follows:

Individual

	30/06/16	30/06/15
Deposits from central banks		
Deposits	-	900 000
Interest payable	-	9
	-	**900 009**

In terms of residual maturity, these funds are broken down as follows:

	30/06/16	30/06/15
Forward		
Up to 3 months	-	900 000
From 3 months to 1 year		0
1 to 5 years	-	-
Interest payable	-	9
	-	**900 009**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

31. Deposits from banks

The balance of this item, spot and forward, is composed as follows in terms of nature:

Individual

	30/06/16	30/06/15
Domestic credit institutions		
Deposits	202 577	361 935
Interest payable	332	560
	202 909	362 495
International credit institutions		
Loans	106 250	112 500
Deposits	2 391 527	803 589
Repurchase agreements	992 211	808 585
Other funds	231	475
Interest payable	1 184	309
	3 491 403	1 725 458
	3 694 312	**2 087 953**

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

The item International credit institutions - Deposits includes essentially deposits made by the shareholder BPE.

In terms of residual maturity, these funds are broken down as follows:

	30/06/16	30/06/15
Spot	36 017	9 325
Forward		
Up to 3 months	2 406 757	1 220 104
From 3 months to 1 year	843 772	243 749
1 to 5 years	206 250	413 906
Over 5 years	200 000	200 000
Interest payable	1 516	869
	3 658 295	2 078 628
	3 694 312	**2 087 953**

32. Customer funds

The balance of this item is composed as follows in terms of nature:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Resident funds			
Demand accounts	1 382 133	1 384 284	987 515
Time deposits	3 300 062	3 300 062	3 074 005
Savings accounts	5 799	5 799	6 187
Cheques payable	6 973	6 973	9 263
Other funds	22	22	31
	4 694 989	4 697 140	4 077 001
Non-resident funds			
Demand accounts	50 141	50 141	40 866
Time deposits	61 804	61 804	38 454
Cheques payable	573	573	284
	112 518	**112 518**	**79 604**
Interest payable	13 161	13 161	19 950
	4 820 668	**4 822 819**	**4 176 555**

In terms of residual maturity, these funds are broken down as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Spot	1 432 275	1 434 426	1 028 381
Forward			
Up to 3 months	1 239 932	1 239 932	893 521
From 3 months to 1 year	1 603 094	1 603 094	1 496 164
1 to 5 years	532 126	532 126	738 539
Over 5 years	80	80	
Interest payable	13 161	13 161	19 950
	3 388 393	3 388 393	3 148 174
	4 820 668	**4 822 819**	**4 176 555**

33. Debt securities issued

The balance of this item is broken down as follows:

Individual

	30/06/16	30/06/15
Bonds	2 000	2 383
Euro Medium Term Note	24 536	52 790
Interest payable	989	1 297
	27 525	56 470

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item.

During 2010, Banco Popular Portugal constituted a Mortgage Bond Issuance Programme whose maximum amount is 1 500 million euros. Within the scope of this programme, the Bank made six mortgage bond issuances in the total amount of 1 330 million euros.

On 30 June 2016, the 5th Series (290 million euros), the 6th Series (225 million) euros, and the 7th Series (300 million euros) were booked in the balance sheet.

On 30 June 2015, the 4th Series (300 million euros), the 5th Series (290 million) euros, and the 6th Series (225 million euros) were booked in the balance sheet. This last issuance was fully repurchased by the Bank.

These bonds are covered by a group of residential mortgage loans and other assets that have been segregated as autonomous equity in the Bank's accounts, therefore grating special credit privileges to the holders of these securities over any other creditors. The conditions of the aforementioned issuances are in accordance with Decree-law No. 59/2006, and Notices Nos.5/2006, 6/2006, 7/2006 and 8/2006 and Instruction No. 13/2006 issued by the Bank of Portugal.

On 30 June 2016, the characteristics of these issuances were the following:

Name	Nominal value	Carrying amount	Issuance date	Reimbursement date	Interest payment frequency	Interest rate	DBRS Rating
BAPOP Mortgage bonds 30/12/2017	290 000	0	30/12/2014	30/12/2017	Monthly	1M Euribor+1.20%	BBBL
BAPOP Mortgage bonds 30/06/2018	225 000	0	30/06/2015	30/06/2018	Monthly	1M Euribor+1.20%	BBBL
BAPOP Mortgage bonds 28/09/2018	300 000	0	28/09/2015	28/09/2018	Monthly	1M Euribor+1.20%	BBBL

On 30 June 2016, autonomous equity assigned to these issuances amounted to 883 628 thousand euros (2015: 872 652 thousand de euros) (see Note 23).

During 2011, Banco Popular Portugal constituted a Euro Medium Term Notes Issuance Programme whose maximum amount is 2.5 billion euros. In the scope of this programme, the Bank has already carried out 36 issuances and as at 30 June 2016, its balance was broken down as follows:

Issuance date	Serial number	Amount	Number	Nominal unit value	Reimbursement date
26/10/12	10th	20 000	200	100 000	26/10/16
30/07/13	26th	4 536	4 536	1 000	30/07/16
		24 536			

34. Hedging derivatives

The item hedging derivatives is composed as follows:

	30/06/16			30/06/15		
	Notional	Carrying amount		Notional	Carrying amount	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Interest rate contracts						
Swaps	792 000	0	75 761	1 257 000	0	108 798

As referred to previously, the Bank covers part of its interest rate risk, resulting from any possible decrease in the fair value of fixed interest rate assets, using interest rate swaps. On 30 June 2016, the net fair value of hedging interest rate swaps (see above) and trading swaps was negative (see Note 19) in the amount of -80 182 thousand euros (2015: -112 328 thousand euros).

Fluctuations in the fair value associated with hedged assets and their respective hedging derivatives are registered in the income statement under item Net income from financial operations (see Note 9).

35. Other provisions

Balances and movements for the Provisions account were as follows:

Other Provisions (Liabilities) - Movements	30/06/16	30/06/15
Balance as at 1 January	2 860	5 023
Appropriations	932	805
Used	300	0
Cancelled	195	1 643
Balance as at 30 June	**3 297**	**4 185**

Other Provisions (Liabilities) - Balances	30/06/16	30/06/15
Impairment for guarantees and committments	2 169	3 019
Other provisions	1 128	1 166
	3 297	**4 185**

36. Other liabilities

This item is detailed as follows:

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Suppliers of goods	3 646	3 641	1 644
Tax withheld at source	2 547	2 456	3 241
Personnel expenses	12 778	12 288	12 036
Pension fund liabilities	12 276	12 276	11 934
Other expenses payable	28 126	27 931	9 308
Other revenues with deferred income	2 256	2 229	1 831
Factoring creditors	15 754		
Stock market transactions pending settlement	10 106	10 106	-
Liabilities pending settlement	36 860	35 572	10 736
Other accounts pending settlement	3 894	3 832	3 511
	128 243	110 331	54 241

The amount of liabilities with pensions in the first half of 2016 is explained by the decrease in the discount rate from 2.40% to 1.88% that occurred on 30 June 2016.

The amount of liabilities with pensions in the first half of 2015 is explained by the decrease in the discount rate from 2.40% to 1.89% that occurred on 30 June 2015 (see Note 37).

37. Retirement pensions

The Pension Plan of Banco Popular Portugal is a scheme of benefits that comprehends all the benefits foreseen in the Collective Bargaining Agreement that regulates the banking sector in Portugal

The fund assumes the liabilities with past services of former employees in the proportion of their time of service. As a counterpart, from the amount of liabilities we deduct the amount of liabilities with past services of current employees as regards the time of service rendered in other institutions in the banking sector. These liabilities for services rendered are calculated pursuant to IAS 19 Revised.

The Pension Plan of the executive members of the Board of Directors intends to ensure payment for old age pensions, disability pensions and survivor’s pensions for the executive members of the Bank’s Board of Directors.

With the publication of Decree-law No. 1-A/2011, of 3 January, the employees comprehended by the Collective Bargaining Agreement and in active life on 4 January 2011 started to be comprehended within the General Social Security Scheme (‘Regime Geral da Segurança Social’ - RGSS) as regards the benefits of old age pensions. Therefore, from that date on the benefits plan defined for employees comprehended in the Collective Bargaining Agreement as regards retirement pensions started to be funded by the Pension Fund and Social Security. However, the Pension Fund still has the responsibility, after 4 January 2011, to cover liabilities on death, disability and survivor's pensions, as well as the old age complement in order to match the retirement of the participants in the Pension Fund to the amounts of the current pension plan.

According to guidelines derived from the Note issued on 26 January 2011 by the National Council of Financial Supervisors, the Bank has kept with reference to 31 December 2010 the recognition and measurement method for past services of active employees regarding the events transferred to the RGSS used in previous years.

In accordance with Decree-law No. 127/2011 of 31 December, Banco Popular Portugal transferred to Social Security the liabilities for pensions in payment on 31 December 2011, as well as the part of the assets contained in the pension fund that already covered such liabilities. The liabilities transferred amounted to 6.3 million euros and have already been fully paid (55% in December 2011 and 45% in March 2012).

This transference was booked in the income statement in the amount of 795 thousand euros due to the allocation of the proportional part of accumulated actuarial gains/losses and the actuarial gains/losses originated by the difference in actuarial assumptions used for the calculation of the transferred liabilities. In accordance with Decree-law No. 127/2011 of 31 December, this amount shall be deductible for effects of determining taxable profit, in equal parts, from the fiscal year started on 1 January 2012, regarding the average of the number of years of life expectancy of the pensioners whose responsibilities have been transferred. The respective deferred taxes have been on the amount recognised in the year's net income.

Until 31 December 2012, the Bank recognized the net accumulated amount (after 1 January 2004) of actuarial gains and losses resulting from changes in the financial and actuarial assumptions and differences between the financial and actuarial assumptions used and the actual amounts in the item 'Other Assets or Other Liabilities – Actuarial gains/losses'. Accumulated actuarial gains or losses that did not exceed 10% of the highest of the current value of liabilities for past services or the value of the pension funds were included in the 'corridor'. Actuarial gains/losses in excess of the corridor were recognised against results over the average remaining period of service of the employees covered by the plan.

As at 1 January 2013 Banco Popular changed its accounting policy of recognising financial and actuarial gains and losses for pension plans and other defined benefit post-employment benefits pursuant to IAS 19 Revised. Financial and actuarial gains and losses are now recognised in the period they occur directly in equity in the Statement of Comprehensive Income.

On 30 June 2016, the number of participants in the fund was 1 107 (2015: 1 121). On this date, there were 49 retired people and 24 pensioners, and the remaining employees were active.

Current amount of Liabilities

The liabilities assumed for retirement and survivor's pensions are as follows:

Past Services	30/06/16	30/06/15
Obligations at the beginning of the period	**163 299**	**154 196**
Service expenses	1 243	1 391
Interest expense	1 922	1 878
Pensions paid	(783)	(554)
Actuarial deviations	9 799	11 196
Obligations as at 30 June	**175 480**	**168 107**

Every year the Bank determines the amount of liabilities for past services using actuarial calculations based on the Project Unit Credit method for liabilities for past services in the case of old age and the Unique Successive Premium to calculate disability and survivor's benefits. The discount rate is determined based on market rates for high quality corporate bonds, with periods to maturity similar to those for settlement of pension liabilities.

In the first half of 2015, those showed a significant reduction with subsequent impact on actuarial gains and losses and on the obligations for services rendered.

Obligations for survival and disability, foreseen in the Collective Bargaining Agreement and insurable are covered by the subscription of a multi-protection life insurance policy for the population at stake, except for those whose urgency of disability or survival is considered unfit to insure.

This is an annual renewable temporary contract in which the Insurance company guarantees the Pension Fund of Banco Popular Portugal, S.A., in case of death or disability assessed at 66% or more according to the National Table for Disability, for any of the people comprehended within the insured group, the payment of the hired premiums.

This insurance contract was signed with Eurovida - Companhia de Seguros de Vida S.A., an insurance company that is an associate of Banco Popular Portugal, S.A.

Equity Amount of the Fund

The movements occurred in the total amount of the pension fund were as follows:

Equity amount of the Fund	30/06/16	30/06/15
Amount at the beginning of the period	**163 299**	**154 305**
Contributions paid		
Employer	0	600
Employees	386	383
Return on Fund assets	1 249	2 024
Pensions paid	(783)	(554)
Other net differences	(946)	(585)
Amount of the Fund as at 30 June	**163 205**	**156 173**
Current obligations for past services	175 480	168 107
Coverage level	93.0%	92.9%

Evolution of Liabilities and Total Amount of the Fund

The evolution of liabilities and the total amount of the pension fund in the past five years was as follows:

	30/06/16	31/12/15	31/12/14	31/12/13	31/12/12	31/12/11	31/12/10
Current amount of liabilities	175 480	163 239	154 196	128 411	108 961	94 708	102 746
Equity amount of the Fund	163 205	163 299	154 305	128 495	121 796	113 703	118 246
Net Assets/(Liabilities)	**(12 275)**	**60**	**109**	**84**	**12 835**	**18 995**	**15 500**
Coverage level	93.0%	100.0%	100.1%	100.1%	111.8%	120.1%	115.1%

Banco Popular Portugal assesses the recoverability of any eventual excess in the fair value of the assets included in the pension fund when compared with the liabilities for pensions at each reporting date based on the expectation of the reduction in the future necessary contributions.

Structure of the Assets that comprise the Fund

On 30 June, the Pension Fund's portfolio broken down by asset type was as follows:

Types of assets	30/06/2016	30/06/2015
Fixed income securities	67.58%	35.64%
Variable income securities	18.19%	57.15%
Real Estate	3.41%	3.76%
Liquidity	10.82%	3.45%
	100.00%	100.00%

Exposure to credit risk

Regarding the credit risk of the assets with debt characteristics that comprise the fund, the exposure by rating had the following structure:

Ratings	30/06/2016	30/06/2015
AAA	0.55%	4.39%
AA	4.14%	8.09%
A	20.95%	14.31%
BBB	36.71%	45.89%
Other (NR)	37.65%	27.32%
	100.00%	100.00%

On 30 June 2016, the Fund had: 1 000 000 BPE Financiaciones 2.5% bonds, whose maturity was on 1-02-2017, in the amount of 1 022 thousand euros, and 1 000 000 Banco Popular Español 1% bonds, whose maturity was on 07-04-2025, in the amount of 1 021 thousand euros. In the first half of 2016, these bonds respectively had a negative fair value change of 9 thousand euros and a positive fair value change of 26 thousand euros.

On 30 June 2015, the Fund had: 1 000 000 BPE Financiaciones 4% bonds, whose maturity was on 17-07-2015, in the amount of 1 038 thousand euros, and 1 000 000 Banco Popular Español 1% bonds, whose maturity was on 07/04/2025, in the amount of 937 thousand euros. In the first half of 2015, these bonds respectively had a positive fair value change of 4 thousand euros and a negative fair value change of 55 thousand euros.

Costs for the year

The amounts recognised as costs for the year are analysed as follows:

Cost for the year	30/06/16	30/06/15
Service expenses	1 243	1 391
Interest expense	1 922	1 878
Expected return on Fund assets	(1 923)	(1 879)
Other	950	592
Total	**2 192**	**1 982**

Actuarial gains and losses

The amount of actuarial gains and losses as at 30 June 2016 and 2015 is broken down as follows:

Actuarial gains and losses	30/06/16	30/06/15
Actuarial gains/losses as at 1 January	(35 629)	(28 686)
Actuarial losses for the year - obligations	(9 860)	(11 196)
Actuarial gains for the year - Fund	(674)	145
Actuarial gains/losses as at 31 December	(46 163)	(39 737)

Actuarial assumptions

The main actuarial and financial assumptions used were as follows:

	30/06/16		30/06/15	
	Assump.	Real	Assump.	Real
Discount rate	1.88%	1.88%	1.89%	1.89%
Expected return rate on Fund assets	1.88%	1.56%	1.89%	1.31%
Salaries and other benefits growth rate	0.75%	0.0%	0.8%	0.0%
Pensions growth rate	0.5%	0.0%	0.5%	0.0%
Mortality table	TV 88/90		TV 88/90	
Disability table	ERC Frankona		ERC Frankona	
Turnover	n.a.	n.a.	n.a.	n.a.

Gains and losses arising from experience adjustments and changes in actuarial assumption are recognised in other comprehensive income in Retained Earnings in the period they occur.

Sensitivity analysis to the Main Assumptions that contribute to the liabilities amount

Taking into consideration the most significant impacts on the amount of liabilities, we have performed a sensitivity analysis through a positive and negative fluctuation in the main assumptions that contribute to the amount of the liabilities, whose impact is analysed as follows:

	Impact on current liabilities		
	Assumption change	Assumption increase	Assumption decrease
Discount rate	0.25%	Decrease by 6.0%	Increase by 6.5%
Salaries and other benefits growth rate	0.25%	Increase by 5.2%	Decrease by 4.9%
Pensions growth rate	0.25%	Increase by 2.7%	Decrease by 2.6%

	Increase by 1 year	Decrease by 1 year
Average life expectancy	Increase by 3.5%	Decrease by 3.6%

The sensitivity analyses above are based on the change in a given assumption, keeping all other assumptions equal. In practice, that is very unlikely to occur given the correlations that exist between the several assumptions. When calculating the sensitivity of the amount of liabilities for significant actuarial assumptions we applied the same methods used to calculate the positions in the Balance Sheet.

The methodology used to perform the sensitivity analysis remained unchanged from the previous year.

Expected future cash flows

The future undiscounted cash flows of pension benefits are as follows:

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Benefit (monthly)	150	183	223	3 674	4 230

These amounts are similar to consolidated amounts given that the consolidated company does not book any amount in this item. The consolidated company has subscribed with exceptions the Collective Bargaining Agreement for the Banking Sector (Acordo Colectivo de Trabalho Vertical - ACTV) and its employees are covered by the general social security scheme. The consolidated company has no liabilities on account of post-employment medical care due to the exception foreseen by Popular Factoring, S.A., paragraph (e) of the Bulletin of Work and Employment, 1st series, No. 31, of 22 August 1990, given that its employees are covered by the general social security scheme.

38. Contingent commitments and liabilities

The following table shows the contractual amount of off-balance financial instruments, which imply lending to customers.

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Contingent liabilities			
Guarantees and Sureties	385 874	385 874	355 410
Documentary credits	44 614	44 614	42 518
Commitments:			
Irrevocable loans	463 882	463 882	664 084
Revocable loans	948 763	863 659	770 774
	1 843 133	1 758 029	1 832 786

On 30 June 2016, the item Irrevocable loans included the amount of 5 314 thousand euros (2015: 5 314 thousand euros) regarding forward liabilities for the Deposit Guarantee Fund regarding the part of annual contributions which, pursuant to the deliberations of the Fund, were not paid in cash.

	CONSOLIDATED	INDIVIDUAL	
	30/06/16	30/06/16	30/06/15
Assets pledged as collateral	45 000	45 000	1 191 000

The amount of the item Assets pledged as collateral includes 45 thousand euros from the Bank's own portfolio aimed, almost entirely, at collateralising an irrevocable credit line with the Bank of Portugal pursuant to the large-amount payment system ('Sistema de Pagamentos de Grandes Transacções – SPGT') and the Intervention Operations Market ('Mercado de Operações de Intervenção' - MOI) (2015: 1 191 thousand euros).

Additionally, as at 30 June 2016 and 2015, the balances regarding off-balance sheet accounts were as follows:

	CONSOLIDATED	INDIVIDUAL	
	28/04/46	30/06/16	30/06/15
Deposit and custody of securities	5 615 124	5 615 124	6 112 296
Amounts received for collection	93 135	86 593	87 632
	5 708 259	5 701 717	6 199 928

39. Share capital and share premium

As at 30 June 2016, the Bank's share capital was represented by 513 000 thousand shares with the nominal value of 1 euro each, which was subscribed and fully paid by Banco Popular Español, S.A. On 4 April 2016, a share capital increase in the amount of 37 000 000 euros was approved, through the issuance of 37 000 thousand shares with the nominal value of 1 euro each, subscribed and paid by Banco Popular Español, S.A., by delivering 2 495 631 Popular Factoring, S.A., shares with a nominal value of 5 euros each.

As at 30 June 2015, the Bank's share capital was represented by 476 000 thousand shares with the nominal value of 1 euro each, which was subscribed and fully paid by Banco Popular Español, S.A.

The amount recognised in item Share premiums originated in the premiums paid by shareholders in the share capital increases made in 2000, 2003 and 2005.

40. Fair value reserves

The movements in this account are detailed on the following table:

	30/06/16	30/06/15
Revaluation reserves and Fair Value		
Available-for-sale investments		
Net balance as at 1 January	1 722	(2 981)
Revaluation at fair value	(21 615)	(4 722)
Deferred taxes	4 863	1 051
Balance as at 30 June	(15 030)	(6 652)

Revaluation reserves regarding available-for-sale assets result from the adequacy to the fair value of the securities in the Bank's portfolio. These balances shall be reversed through the income statement at the time the securities that originated them are disposed of or in case there is any impairment.

The revaluation reserve regarding the adequacy to fair value of tangible assets for own use is related to the property on Rua Ramalho Ortigão (Note 26).

The revaluation reserve for tangible assets calculated in accordance with Decree-law No. 31/98 shall only be moved when it is considered realized, total or partially, and pursuant to the following priorities:

(i) To correct any excess found on the date of the revaluation between the net book value of the elements being revalued and their current real value;

(ii) To absorb accumulated loss until the revaluation date, inclusively;

(iii) To incorporate in the share capital for the remaining part.

41. Other reserves and retained earnings

The balances of the accounts for other reserves and retained earnings are analysed as follows:

	INDIVIDUAL	
	30/06/16	30/06/15
Statutory reserve	36 785	35 450
Other reserves	304 708	292 700
Retained earnings	(87 219)	(111 471)
	254 274	216 679

Movements in the items reserves and retained earnings were as follows:

	INDIVIDUAL	
	30/06/16	30/06/15
Statutory reserve		
Balance as at 1 January	35 450	35 221
Transf. Retained earnings	1 335	229
Balance as at 30 June	36 785	35 450
Other reserves		
Balance as at 1 January	292 699	290 622
Transf. Retained earnings	12 009	2 054
Transf. Revaluation reserves	-	24
Balance as at 31 December	304 708	292 700
Retained earnings		
Balance as at 1 January	(115 688)	(108 744)
Net income for the previous year	13 343	2 282
Actuarial gains/losses of the Pension Fund	(10 534)	(11 051)
Accounting change due to the revocation of Notice 3/95	39 004	8 325
Transf. to statutory reserve	(1 335)	(229)
Transf. to other reserves	(12 009)	(2 054)
Balance as at 30 June	(87 219)	(111 471)
	254 274	216 679

- Statutory Reserve

The statutory reserve can only be used to absorb accumulated losses or to increase share capital. Portuguese legislation applicable to the banking sector (Article 97 of Decree-Law No. 298/92 of 31 December) requires that at least 10% of the profit for the year be transferred to the statutory reserve until it is equal to the share capital.

42. Personnel expenses

The number of employees of the Bank according to their professional category was as follows:

	Consolidated	Individual	
	30/06/16	30/06/16	30/06/15
Directors	104	101	100
Management	389	384	441
Technical personnel	503	503	525
Clerical staff	187	171	232
	1 183	1 159	1 298

43. Remunerations of the governing bodies and the personnel with responsibility over risk taking and control

As at 30 June 2016, the annual amounts earned by the members of the Board of Directors and the Supervisory Board are detailed, individually and in group, on the following table:

Board of Directors	Fixed Remuneration	Ind. Performance Complement	Seniority Bonus	Total Remuneration	Term of office
Carlos Manuel Sobral Cid da Costa Alvares - Chairman	150	53	0	203	Started on 4/7/2015
Pedro Miguel da Gama Cunha	79	0	0	79	Started on 31/8/2015
	229	53	0	282	

Supervisory Board	Fixed Remuneration	Term of office
Rui Manuel Ferreira de Oliveira - Chairman	4.8	
António Luis Castanheira da Silva Lopes	3.0	Started on 1/4/2015
	7.8	

The remunerations earned and the number of employees who have responsibilities in terms of risk taking regarding the Bank or its customers as well as those who assume control functions pursuant to Notice 5/2008 issued by the Bank of Portugal are detailed below:

	No. of Benef.	Fixed Remun.	Var. Cash Remun.	Total Remun.
Executive Committee	4	319	0	319
Risk Management	1	21	0	21
Compliance	1	26	0	26
Asset Management	1	44	0	44
Auditing	1	41	0	41
	8	451	0	451

44. Remuneration of the Statutory Auditor

The amounts paid to the Audit Firm PricewaterhouseCoopers in the first half of 2016 and in the first half of 2015 were:

	Consolidated	Individual	
	30/06/16	30/06/16	30/06/15
Statutory audit	68	48	56
Other guarantee and reliability services	60	60	76
	128	108	132

45. Relationship with related companies

As at 30 June 2016 and 2015, the amounts payable and receivable regarding related companies was as follows:

	Credit		Debit		Income		Expense	
	30/06/16	30/06/15	30/06/16	30/06/15	30/06/16	30/06/15	30/06/16	30/06/15
Consulteam, Lda	-	-	35 723	12 546	360	377	-	-
Eurovida, SA	2 007	4 055	69 032	53 000	1 674	1 339	932	1 339
Popular Gestão de Activos, SA	99	111	1 583	2 403	816	893	36	13
Popular Factoring, SA	99 071	93 368	-	-	1 117	925	90	166
Imopopular Fundo Especial I.I.	20	3 784	376	221	16	49	-	-
Popular Arrendamento	3	0	10 730	6 978	22	26	9	10
Popular Seguros, SA	-	0	635	1 068	371	360	-	-
Popular Predifundo	-	466	-	1	-	11	-	-
SPE-Special Pourpuse Entities	1 272	1 437	-	-	337	251	-	-
	102 472	103 221	82 356	76 217	4 353	4 231	1 067	1 528
Banco Popular Español, SA	1 580 579	212 535	3 522 746	1 759 068	60 361	61 632	112 729	80 388

As at 30 June 2016, the guarantees pledged by the Bank to related companies amounted to 78 150 thousand euros (2015: 64 910 thousand euros).

As at 30 June 2016, the Bank received deposits from BPE to guarantee the risk associated with loans granted by the Bank in the amount of 49 404 thousand euros (2015: 86 384 thousand euros).

Transactions with related companies are based on common market conditions.

As at 30 June 2016, the members of the Bank's Board of Directors did not hold any deposits with Banco Popular and had loans, granted before they were appointed, in the total amount of 239 thousand euros.

46. Cash and cash equivalents

For effects of the cash flow statement, Cash and cash equivalents include the following balances with maturity of less than 90 days:

	Consolidated	Individual	
	30/06/16	30/06/16	30/06/15
Cash (Note 18)	43 859	43 859	39 872
Cash and balances with banks (note 18)	89 820	89 820	56 718
Deposits with banks with maturities of less than 3 months	1 399 930	1 399 930	61 871
	1 533 609	1 533 609	158 461

47. Measurement of portfolio impairment and respective disclosures (Circular Letter No. 02/2014/DSP issued by the Bank of Portugal)

Qualitative disclosures:

a) Credit risk management policy.

The Bank is exposed to credit risk, which is the possible loss that arises when the Bank's counterparts fail to fulfil their obligations. In the case of refundable financing it arises as a consequence of the non-recovery of principal, interest and commissions, regarding amount, period and other conditions stipulated in the contracts. Concerning off-balance sheet risks, it derives from the non-compliance of the counterparts regarding their obligations with third parties, which implies that the Bank has to assume as its own certain obligations depending on the contracts.

The Bank structures the levels of credit risk it is exposed to by establishing pre-defined acceptable risk limits regarding the borrower or group of borrowers and geographical or business activity segments.

Exposure to credit risk is managed through a regular analysis of the capacity of borrowers and potential borrowers of meeting payment obligations for principal and interest, and by changing these credit limits when appropriate. Exposure to credit risk is also managed in part by obtaining collaterals and personal or corporate guarantees.

- **Collaterals**

The Bank employs a series of policies and practices in order to mitigate credit risk. The most traditional one is securing collaterals at the moment funds are advanced. The Bank implements guidelines regarding the acceptability of specific classes of collaterals or mitigation of credit risk. The main types of collaterals for loans and receivables are the following:

- Property mortgages;

- Pledges of operations made within the Bank;

- Pledges on assets such as premises, inventory and accounts receivable;

- Pledges on financial instruments, such as securities and shares.

Long-term loans to corporate and private customers usually require a collateral; lower amounts and recurring personal loans generally require no collateral. Additionally, with the intention of minimising loss, at the time an impairment indicator for loans and receivables is identified the Bank tries to obtain additional collaterals from the relevant counterparties.

Collaterals held for financial assets, except for loans and advances, are determined by the nature of the instrument. Treasury bonds and other debt instruments usually are not collateralised.

- **Lending commitments**

The main objective of these instruments is to ensure that funds are made available to customers as they require them. Loan extension commitments represent non-utilized parts of credit extension authorizations in the form of loans, guarantees or letters of credit. Regarding the credit risk associated with loan extension commitments, the Bank is potentially exposed to a loss in the amount of the total of non-utilized commitments. However, the probable loss amount is much lower than the sum of the non-utilized commitments since loan extension commitments are revocable and depend on a specific customer's credit worthiness. The Bank monitors the maturity of lending commitments since long-term commitments usually present a greater credit risk than short-term commitments.

- **Concentration Risk**

Concentration risk is managed and monitored by Risk Management that also ensures that adequate policies and procedures are maintained and implemented to monitor and manage credit concentration risk. It is also in charge of monitoring delegated powers in terms of concentration risk and periodically presents reports on concentration risk to the Board of Directors.

The Bank has defined a structure of limits aimed at maintaining an exposure level in line with its risk profile and an adequate diversification of its loan portfolio.

The limits currently approved for credit concentration risk are the following:

i) Risk limit for a Group/Customer

Pursuant to the delegations attributed by BAPOP to the Bank, the maximum limit for total exposure with a Group/Customer is 10% of GBP's Tier I. The maximum limit for a Group/Customer, except bank and technical guarantees and transactions guaranteed with deposits is 5% of GBP's Tier I.

ii) Risk limit by transaction amount

The maximum amount for a lending transaction is defined.

In case of funding working capital or without a specific destination every risk with that characteristic shall be aggregated.

Regarding project finance and syndicated financing, BAPOP's participation shall not be higher than 25% of the total amount, in case the transaction is higher than the limit defined for this type of lending.

iii) Limit of participation in the Credit Risk Central (CRC)

The maximum limit for participation in the CRC with a Group/Customer shall be the following:

Group/Customer with risks of over € 500 million - Lower than 10% of CRC.

Group/Customer with risks of over € 250 million - Lower than 15% of CRC.

Group/Customer with risks of over € 100 million - Lower than 25% of CRC.

Group/Customer with risks of over € 20 million - Lower than 50% of CRC.

iv) Limit of risk concentration by activity sector

The maximum limits of concentration of total risk by activity sector are the following:

- Construction and property development: 25%;
- Manufacturing and mining industries: 15%;
- Information and communication, education and other services: 5%;
- Remaining sectors: 10% (Agriculture, forestry and fisheries; Energy and water supply; Wholesale and retail trade, repair of motor vehicles; Hotels and restaurants; Transport and storage; Banking and insurance; Administrative, professional sanitary and artistic activities).

v) Limit of risk concentration in large companies

There is a maximum limit of 30% of total risk for the Large Companies segment.

vi) Limit of risk concentration by product

There are also defined limits according to the type of product:

- Transactions with mortgages on land;
- Property development;
- Loans to purchase securities.

vii) Assessment of mortgage collaterals

A set of limits is also defined according to the loan to value (LTV) of lending transactions with mortgage collaterals.

b) Loan write-off policy.

The loan write-off policy determines that write-offs may only be carried out when the loans simultaneously have been non-performing for 2 years and have an impairment level of 100%

c) Impairment reversion policy.

The analysis and subsequent determination of individual impairment of a customer that has shown impairment in previous periods may only result in a reversion in case it is related with the occurrence of an event after the initial recognition (e.g. improvement of the customer's rating or strengthening collaterals).

Additionally, there may be implicit reversions of impairment, resulting from new estimates of collective parameters or changes in the type of customer analysis (individual or collective).

The reversal amount may not be higher than the accumulated impairment amounts previously recorded.

d) Conversion of the debt into debtor's equity.

The Bank does not usually employ this type of solution and solely holds an exposure on an economic group that was subject to this type of loan restructuring. In this case, the loan is replaced by a position comprised of shares from a Restructuring Fund.

These positions are subject to impairment tests every six months from the moment those shares are included in the Restructuring Fund. For junior debt positions maintained in companies held by these Funds a 100% impairment is estimated regarding their respective exposure.

e) Description of restructuring measures applied and their respective associated risks, as well as control and monitoring mechanisms.

The Bank has defined a vast set of restructuring measures, which are negotiated by a large set of Agencies specialising in credit recovery. The most common measures are extending the maturity date of the loan or the inclusion of a grace period.

In terms of characteristics, these restructuring operations are divided into large groups: without overdue credit (with or without strengthening collaterals); and with overdue credit (with or without strengthening collaterals).

The Bank's decision-making body in terms of loan granting shall identify the restructuring operations that result from customers' financial difficulties. These are subsequently classified by the Bank's computer system. Costumers with lending operations that are undergoing a restructuring process are also subject to an internal definition of a loan restrictive classification. Agencies are thus forced to act on this policy, which may imply maintaining, reducing or extinguishing risks.

Regarding monitoring in terms of the loan impairment model, these transactions shall bear the restructuring brand for a two-year healing period pursuant to Instruction No. 32/2013 issued by the Bank of Portugal.

f) Description of the process of assessing and managing collaterals.

For situations in which it is admissible that credit recovery shall occur via foreclosure the amounts that shall be considered (market value of the most recent appraisal known with the application of a temporal haircut) are also defined by internal regulations.

Reappraisals of these collaterals are usually done within the time frames defined by Notices Nos.3/95 and 5/2006 issued by the Bank of Portugal. However, in the case of properties related with transactions done with customers with significant exposures (over 1 million euros), reappraisals are carried out more often.

Despite the pre-defined time frames, appraisals are carried out whenever they are considered relevant to monitor the value of the collateral.

The value of the properties considered as collaterals is adjusted to the current macroeconomic scenario through the application of haircuts, based on Management analysis and market practices.

Time frame of the assessment	Haircut	
	>= 50% Work completed	< 50% Work completed
Less than 6 months	0%	0%
6 months	5%	5%
From 6 months to 1 year	10%	10%
From 1 to 2 years	15%	20%
From 2 to 3 years	25%	35%
Over 3 years	50%	60%

Regarding financial collaterals and securities, we have defined the periodical monitoring of the lending operations collateralised with this type of assets, and these are regularly reported to Management. Assets used as collateral are indicated, as well as the overall hedging ratio. These amounts are considered in the scope of an individual impairment analysis.

g) Nature of main judgements, estimates and hypotheses used to determine impairment.

Losses due to impairment correspond to estimates based on judgements made by top management in view of the facts and circumstances on a given date. Consequently, future events and developments are expected, in some cases, to converge into a different result vis-à-vis the estimate amount.

In order to ensure the adequacy of the impairment model to the macroeconomic scenario, the Bank carries out monthly impairment reviews of its individually analysed customers, as well as reviewing every six months the parameters applied to the collective part of its credit portfolio.

In terms of the individual analysis, impairment depends on the disbursement capacity of the debtor and/or respective guarantors, or the collaterals the Bank has to guarantee the lending transactions, applying the reference criteria described in Circular Letter 02/2014/DSP issued by the Bank of Portugal.

As far as the collective part of the portfolio is concerned and especially the calculation of LGD estimates, these are calculated based on the history of effective recoveries, as well as on conservative assumptions, defined and approved by Management for future estimates.

h) Description of the methods employed to calculate impairment, including the way portfolios are segmented in order to reflect the different characteristics of the lending operations.

In compliance with the conceptual model on which impairment calculations are based, every month an analysis is carried out to the overall credit portfolio divided into seven main groups: (i) default loans, (ii) loans in arrears (30- 90 days), (iii) restructured loans, (iv) non-performing loans (with impairment signs), (v) healing loans, (vi) healed loans, and (vii) performing loans.

Definition of default

A loan is considered defaulted whenever it shows at least one of the following signs:

- Loans in arrears for more than 90 days;
- Customers in insolvency/bankruptcy situations or undergoing a special revitalisation process (PER); or
- Bank guarantees called in by the beneficiary.

A customer's full exposure is considered defaulted whenever the sum of their transactions in arrears for more than 90 days exceeds 20% of total exposure.

Homogeneous segments result from the creation of transaction groups that have similar credit risks, taking into consideration the Bank's management model. In order to do so, we have defined as relevant segmentation factors some lending transactions characteristics, such as type of customer, materiality of the exposure, type of product and type of associated collateral.

The segmentation currently in force distinguishes between specific PD segmentation and specific LGD segmentation:

PD segmentation	LGD segmentation
State and other public bodies	
Banco Popular Group	
Employees	
Corporate Customers	
Relevant Customers	
Credit cards - Private individuals	
Residential Mortgage loans	Residential mortgage loans with LTV <=80%
	Residential mortgage loans with LTV > 80%
	Collateralised private individuals
Consumer credit	Consumer credit
	Non-Collateralised private individuals
Property development	
Property construction	Collateralised construction loans
	Non-collateralised construction loans
Companies	Credit cards - Companies
	Collateralised companies
	Non-collateralised companies

Probability of default (PD) represents the estimate based on the last 5 years of the Bank's history of the number of transactions with or without impairment signs that can default during a given period of time (emerging period). So that the history reflects the current economic conditions, the observations obtained are adjusted through the following risk weights that may be adjusted every six months according to the regular exercise of PD back testing:

	Year 1	Year 2	Year 3	Year 4	Year 5
Weight	10%	15%	15%	30%	30%

PD is also differentiated according to the classification of each loan: (i) default loans, (ii) loans in arrears (30- 90 days), (iii) restructured loans, (iv) non-performing loans (with impairment signs), (v) healing loans, (vi) healed loans, and (vii) performing loans.

i) Impairment signs by credit segment

The Bank considers that a loan shows impairment signs when one of the following events occurs.

- Customers with at least 1 loan of a material amount in arrears for more than 30 days;
- Customers in litigation;
- Customers with at least 1 loan of a material amount restructured due to financial difficulties of the customer or perspective/request for restructuring;
- Customers with at least 1 loan undergoing out of court procedures to regularise their situation (PERSI);
- Customers with at least 1 loan of material amount in the banking system in arrears, premium and interest cancelled/annulled or in court, according to information made available by the Central for Credit Liabilities of the Bank of Portugal;
- Customers with loan transactions written-off by BAPOP in the past 12 months;
- Customers with banking guarantees made by the Bank which have been foreclosed within the past 24 months;
- Costumers with pledges or assignments to the Bank in the past 24 months;
- Customers with non-performing operations in other entities of Popular Group;
- Any other signs that cause a higher probability of defaulting detected in the individual analysis.

j) Limits defined for individual analysis.

On each reporting date a set of customers is selected, who due to the materiality of their exposure to the Bank are considered significant. Those customers are subject to an individual analysis procedure in order to conclude whether there is evidence of impairment or to determine the amount of impairment.

Individual analyses are carried out on:

- Default customers or customers showing impairment signs with total liabilities of over 750,000 euros;
- Significant customer portfolio with no impairment signs and total liabilities of over 2,500,000.

At all times, between 25% and 30% of total on-balance sheet loans of BAPOP have to be individually analysed. In case the above-mentioned limits do not allow that percentage to be within that interval they may be adjusted.

Customer lending subject to individual analysis in which no objective evidence of impairment is identified shall be included in homogeneous risk segments in order to be considered for collective impairment.

k) Policy on internal risk levels, specifying the treatment given to a borrower classified as impaired.

Operations that are in arrears for more than 90 days, or in insolvency situations or undergoing a special revitalisation process (PER), or that require more specialised monitoring are regularly migrated to a set of Agencies.

The mission and objectives of that set of agencies are the rigorous analysis, monitoring and management of customers and risks, carried out by Specialised Managers distributed into 3 segments (Private individuals, Corporate, and Large Risks). From a comprehensive vision of the whole recovery process, we try to find and employ the most adequate solutions for a swift credit recovery.

l) General description of the calculation of the current amount of future cash flows when calculating impairment losses assessed individual and collectively.

According to the impairment model used by the Bank, when objective evidence of an event that originated a loss due to impairment is identified, the amount of that loss shall be determined as the difference between the amount on the balance sheet and the present amount of the estimated future cash flows (excluding losses due to events that have not occurred yet), discounted at the original effective interest rate.

Estimated future cash flows included in the calculation regard the contractual amount for the loans, adjusted by any amounts that the Bank expects not to recover and the time frame in which it is foreseeable that those shall be carried out. The time frame for the recovery of cash flows is a very significant variable for the calculation of impairment, since an impairment loss is always recognised, even in the cases in which total recovery of the contractual outstanding cash flows is expected to be received but after the agreed dates. This situation shall not be verified in case the Bank receives compensation in full (for example, as interest or default interest) for the period in which the loan was overdue.

Estimating an amount and the moment future cash flows shall be recovered for a loan involves professional judgement. The best estimate for those, taking into consideration the guidelines defined on Circular Letter No. 02/2014/DSP, is based on reasonable assumptions and on observable data at the date impairment is assessed, on the capacity of a customer to pay or on the possibility of a foreclose on a collateral.

In the case of collective portfolios, a probability of default (PD) and a rate of loss given default (LGD) are applied to each homogeneous segment.

In the case of defaulted loans, PD is 100% and the balance is established at the moment each loan defaults.

LGD is an estimate of loss given default of a customer. For the calculation of this variable, a random sample of the Bank's history is used, based on a trust interval of 95% regarding every customer that has defaulted. Thus, the average loss is calculated for each segment based on every recovery discounted at the effective rate for the month in which that operation defaulted until maturity date/settlement, as well as possible future estimates for the cases in which operations have not been settled when the analysis is carried out.

Recovery of the loans included in the sample are checked on a case-by-case basis, including:

- Historical recoveries via payments made by the debtor (recoveries since the date of default until the date of analysis);
- Historical recoveries via foreclosure, deducted from expenses;
- Estimates of recoveries after the reference dates used for the analysis;
- Recoveries after write-off.

m) Description of the emerging period(s) used for the different segments and justification of their adequacy.

Emerging periods, which result from internal studies and the estimate of time management in the time frame between the event and default, are the following:

Past-due loans - 30 to 90 days	3
Restructured loans	12
Other signs of default	12
Healing	12
Performing and healed	12

n) Detailed description of the cost associated with credit risk, including disclosure of PD, EAD, LGD and healing rates.

For restructured or healing loans, average PD is determined for each month of the demarcation stage (24 or 12 months respectively); after that time curves are drawn and applied.

In the segments where those time curves do not show correlations that can be considered explanatory, the PD applied during the demarcation stage results from the weighted average by the total number of restructured or healing loans in each segment and in each month (without attributing different weights to moment PD was observed).

Additionally, from a conservative perspective, the minimum point of each curve may never be lower than the PD obtained for performing loans for the same period.

In the following tables, the main points of their respective curves applied to restructured or healing loans are shown as follows:

- Performing loans or loans with probability of default

Segment:	Regular Portfolio		Portfolio with impairment signs	
	Performing	Healed	> 30 days	Other signs
Credit cards - Private individuals	2.3%	0.0%	46.5%	13.4%
Relevant Customers	1.1%	4.2%	68.1%	34.1%
Corporate Customers	0.8%	0.0%	75.7%	22.2%
Property construction	4.4%	4.7%	53.0%	36.2%
Residential mortgage loans	1.0%	3.3%	42.6%	14.7%
Consumer credit	3.1%	5.9%	28.6%	17.8%
Employees	0.1%	0.0%	49.4%	4.6%
Corporate customers	3.2%	6.2%	50.5%	28.4%
State and other public bodies	0.0%	0.0%	22.0%	0.0%
Banco Popular Group	0.0%	0.0%	0.0%	0.0%
Property development	10.0%	0.0%	59.7%	42.5%

- Restructured loans

Segment:	Time frame of the restructuring (in months):											
	n+1	n+2	n+3	n+4	n+5	n+6	n+7	n+8	n+9	n+10	n+11	n+12
Credit cards - Private individuals	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Relevant Customers	59.1%	53.6%	48.5%	43.6%	38.9%	34.5%	30.4%	26.5%	22.8%	19.4%	16.3%	13.4%
Corporate Customers	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Property construction	46.4%	44.3%	42.2%	40.1%	38.0%	35.9%	33.9%	31.8%	29.7%	27.6%	25.5%	23.4%
Residential mortgage loans	31.1%	27.8%	24.9%	22.3%	19.9%	17.8%	15.9%	14.3%	12.8%	11.4%	10.2%	9.1%
Consumer credit	45.8%	39.8%	34.6%	30.0%	26.0%	22.5%	19.6%	17.2%	15.2%	13.5%	12.1%	11.0%
Employees	9.6%	4.3%	2.5%	1.7%	1.1%	0.8%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%
Corporate customers	47.5%	42.4%	37.8%	33.7%	30.2%	27.1%	24.5%	22.2%	20.2%	18.6%	17.1%	15.9%
State and other public bodies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Banco Popular Group	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property development	46.5%	44.0%	41.5%	39.0%	36.5%	34.0%	31.5%	29.0%	26.5%	24.0%	21.5%	19.0%

Segment:	Time frame of the restructuring (in months):											
	n+13	n+14	n+15	n+16	n+17	n+18	n+19	n+20	n+21	n+22	n+23	n+24
Credit cards - Private individuals	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Relevant Customers	10.8%	8.4%	6.3%	4.5%	2.9%	1.5%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Corporate Customers	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Property construction	21.3%	19.2%	17.1%	15.0%	12.9%	10.8%	8.7%	6.6%	4.5%	4.4%	4.4%	4.4%
Residential mortgage loans	8.2%	7.3%	6.5%	5.8%	5.2%	4.7%	4.2%	3.7%	3.3%	3.0%	2.7%	2.4%
Consumer credit	10.1%	9.4%	8.7%	8.1%	7.5%	6.8%	6.1%	5.1%	4.0%	3.1%	3.1%	3.1%
Employees	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Corporate customers	14.8%	13.8%	12.8%	11.9%	10.9%	9.8%	8.7%	7.3%	5.7%	3.9%	3.4%	3.4%
State and other public bodies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Banco Popular Group	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property development	16.5%	14.0%	11.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

- Healing loans

Segment:	Time frame of the healing (in months):											
	n+1	n+2	n+3	n+4	n+5	n+6	n+7	n+8	n+9	n+10	n+11	n+12
Credit cards - Private individuals	35.2%	31.5%	27.8%	24.1%	20.4%	16.7%	13.0%	9.3%	5.6%	2.3%	2.3%	2.3%
Relevant Customers	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%
Corporate Customers	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Property construction	55.1%	44.8%	35.4%	27.1%	19.9%	13.6%	8.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Residential mortgage loans	40.6%	36.7%	32.8%	28.9%	25.0%	21.1%	17.2%	13.2%	9.3%	5.4%	1.5%	1.0%
Consumer credit	27.3%	24.9%	22.5%	20.0%	17.6%	15.2%	12.8%	10.4%	8.0%	5.6%	3.1%	3.1%
Employees	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Corporate customers	45.6%	41.8%	38.0%	34.2%	30.4%	26.6%	22.8%	19.0%	15.2%	11.4%	7.6%	3.8%
State and other public bodies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Banco Popular Group	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Property development	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%

LGDs applied as at 30 June 2016 were the following:

Segment:	LGD
Credit cards - Corporate	57.8%
Credit cards - Private individuals	45.0%
Corporate Customers	10.1%
Relevant Customers	10.8%
Collateralised construction loans	19.5%
Non-collateralised construction loans	37.2%
Residential mortgage loans with LTV <=80%	8.3%
Residential mortgage loans with LTV >80%	10.5%
Consumer credit	47.9%
Employees	6.3%
Collateralised companies	20.5%
Non-collateralised companies	30.8%
State and other public bodies	0.0%
Banco Popular Group	0.0%
Collateralised private individuals	8.6%
Non-Collateralised private individuals	32.1%
Property development	8.8%

We would like to stress once more that the project that will allow the Bank to calculate LGD based on the whole portfolio and not simply on a sample is almost complete as mentioned in paragraph (l).

o) Conclusions of the sensitivity analysis to the amount of impairment and changes to the main assumptions

As at 31 December 2015, an increase by 10% in PD would imply an increase by 4 million euros in the total amount of impairment. A similar increase in LGD would imply an increase by 18.3 million euros.

An increase by 10% in both variables would imply a 22.7 million euro increase in the total amount of impairment.

p) Qualitative disclosures of Popular Factoring, S.A.

The impairment model used by Popular Factoring, S.A., in view of the specificity of its business and the fact that it had been an independent legal person until now, is not based on the same methodology that regulates Banco Popular, S.A., although it achieved results that are very close to those that Popular Factoring, S.A., has historically showed. In this scope, Banco Popular Portugal, S.A., after the merger project with that company, which is now under way, will homogenize data.

In this note, we present a brief description of the model that exists in the consolidated company and its main impact on the reference values of Banco Popular, S.A., which we consider of little significance. For this reason, in this interim report, the tables in the quantitative disclosures, in face of the size and complexity of the factoring business inside the consolidated portfolio, will be presented only when materially relevant.

The impairment of the credit portfolio of Popular Factoring, S.A., is calculated with reference to the bases, reasonability, results, and experience, given the reality of the company and the type of product that factoring represents. The company has a calculation model that intends to be reliable and timely, and corresponds to an impairment model.

The model developed by Popular Factoring, S.A., is based on three major areas: I-Seniority; II-Internal credit rating; and III-Subjective analysis.

Seniority is measured from the maturity date of two invoices granted. The greater the seniority, the larger the weight for the constitution of impairment.

The internal credit rating of the customers (the internal classification of the customer based on the notation defined by the company) contributes to calculate impairment, combined with the remaining available information on customers and adherents.

The model is based on an internal credit rating of its customers, whose classification varies from 1 (excellent risk) to 5 (high risk). This system is based on two aspects, incorporating the specific risk of the operation/customer portfolio and the company risk, obtained through the points that result from the analysis of the updated financial information on the companies. The higher the rating, the higher the impairment.

Finally, impairment is defined and calculated based on a subjective credit analysis.

<u>Quantitative disclosures:</u>

a) Detailed exposures and impairments by segment.

Individual

	Exposure as at 30/06/2016						Impairment as at 30/06/2016		
Segment:	Total exposure	Performing loans	Of which: healed	Of which: restructured	Non-performing loans	Of which: restructured	Total impairment	Performing loans	Non-performing loans
Corporate	357 661	295 949	0	4 126	61 712	20 208	36 169	2 789	33 380
Property construction and CRE	539 933	350 160	358	30 473	189 773	84 334	73 516	8 139	65 378
Residential mortgage loans	1 816 369	1 705 772	775	94 175	110 597	49 177	17 617	5 281	12 336
Relevant	1 055 882	899 499	14 044	75 812	156 383	71 194	75 867	27 499	48 369
Corporate customers	2 038 998	1 697 017	2 637	43 162	341 981	94 523	128 470	24 175	104 296
Other	502 639	450 998	58	4 953	51 642	10 478	20 927	1 565	19 362
Total	**6 311 481**	**5 399 393**	**17 872**	**252 700**	**912 088**	**329 914**	**352 567**	**69 447**	**283 120**

	Exposure as at 30/06/2015						Impairment as at 30/06/2015		
Segment:	Total exposure	Performing loans	Of which: healed	Of which: restructured	Non-performing loans	Of which: restructured	Total impairment	Performing loans	Non-performing loans
Corporate	223 438	156 318	9 105	13 463	67 120	14 701	18 633	337	18 296
Property construction and CRE	550 663	356 913	1 002	46 655	193 750	80 386	84 033	11 388	72 645
Residential mortgage loans	1 665 687	1 545 481	4 060	111 230	120 206	46 102	19 544	6 432	13 112
Relevant	1 141 148	911 122	0	47 453	230 026	112 974	87 199	25 604	61 595
Corporate customers	1 956 064	1 613 581	6 320	50 172	342 483	80 628	145 939	29 154	116 785
Other	380 911	331 724	107	9 630	49 187	10 051	22 954	3 506	19 448
Total	**5 917 911**	**4 915 139**	**20 594**	**278 603**	**1 002 772**	**344 842**	**378 302**	**76 421**	**301 881**

Consolidated

	Exposure as at 30/06/2016						Impairment as at 30/06/2016		
Segment:	Total exposure	Performing loans	Of which: healed	Of which: restructured	Non-performing loans	Of which: restructured	Total impairment	Performing loans	Non-performing loans
Corporate	390 548	327 629	0	4 126	62 919	20 208	37 608	3 085	34 523
Property construction and CRE	565 059	374 893	358	30 473	190 166	84 334	74 093	8 323	65 771
Residential mortgage loans	1 816 369	1 705 772	775	94 175	110 597	49 177	17 617	5 281	12 336
Relevant	1 055 882	899 499	14 044	75 812	156 383	71 194	75 867	27 499	48 369
Corporate customers	2 131 203	1 787 399	2 637	43 162	343 804	94 523	131 210	25 134	106 077
Other	509 992	458 343	58	4 953	51 650	10 478	20 920	1 565	19 355
Total	**6 469 052**	**5 553 533**	**17 872**	**252 700**	**915 519**	**329 914**	**357 316**	**70 886**	**286 430**

Individual

	Exposure as at 30/06/2016						Impairment as at 30/06/2016				
		Performing loans			Non-performing loans			Performing loans		Non-performing loans	
	Total exposure	Over 30 days past due		Between 30 and 90	Days past due		Total impairment	Days past due		Days past due	
Segment:		Performing loans	With imp. signs	days past due	<= 90	> 90		< 30	between 30 and 90	<= 90	> 90
Corporate	357 661	276 195	19 754	0	27 694	34 018	36 169	2 789	0	11 731	21 649
Property construction and CR	539 933	295 020	47 975	7 164	34 562	155 211	73 516	6 995	1 144	10 854	54 523
Residential mortgage loans	1 816 369	1 481 107	191 766	32 898	9 390	101 207	17 617	4 010	1 270	1 133	11 203
Relevant	1 055 882	805 490	82 306	11 702	9 971	146 413	75 867	27 484	14	2 009	46 359
Corporate customers	2 038 998	1 588 523	98 699	9 795	50 140	291 840	128 470	23 028	1 147	14 465	89 830
Other	502 639	432 530	16 480	1 988	1 260	50 382	20 927	1 342	223	387	18 975
Total	**6 311 481**	**4 878 864**	**456 982**	**63 547**	**133 016**	**779 072**	**352 567**	**65 649**	**3 799**	**40 580**	**242 539**

	Exposure as at 30/06/2015						Impairment as at 30/06/2015				
		Performing loans			Non-performing loans			Performing loans		Non-performing loans	
	Total exposure	Over 30 days past due		Between 30 and 90	Days past due		Total impairment	Days past due		Days past due	
Segment:		Performing loans	With imp. signs	days past due	<= 90	> 90		< 30	between 30 and 90	<= 90	> 90
Corporate	223 438	140 464	15 251	603	22 240	44 880	18 633	297	40	6 202	12 094
Property construction and CR	550 663	266 735	81 027	9 151	36 584	157 166	84 033	9 991	1 397	11 256	61 389
Residential mortgage loans	1 665 687	1 297 440	211 634	36 407	8 353	111 853	19 544	5 016	1 416	1 019	12 093
Relevant	1 141 148	799 998	108 036	3 088	34 360	195 666	87 199	25 321	283	11 553	50 042
Corporate customers	1 956 064	1 489 185	109 044	15 352	61 249	281 234	145 939	26 323	2 831	20 485	96 300
Other	380 911	307 093	20 663	3 968	2 971	46 216	22 954	2 761	745	1 278	18 170
Total	**5 917 911**	**4 300 915**	**545 655**	**68 569**	**165 757**	**837 015**	**378 302**	**69 709**	**6 712**	**51 793**	**250 088**

Consolidated

	Exposure as at 30/06/2016						Impairment as at 30/06/2016				
		Performing loans			Non-performing loans			Performing loans		Non-performing loans	
	Total exposure	Over 30 days past due		Between 30 and 90	Days past due		Total impairment	Days past due		Days past due	
Segment:		Performing loans	With imp. signs	days past due	<= 90	> 90		< 30	between 30 and 90	<= 90	> 90
Corporate	390 548	307 875	19 754	0	27 694	35 225	37 608	3 085	0	11 731	22 792
Property construction and CR	565 059	319 753	47 975	7 164	34 562	155 604	74 093	7 179	1 144	10 854	54 916
Residential mortgage loans	1 816 369	1 481 107	191 766	32 898	9 390	101 207	17 617	4 010	1 270	1 133	11 203
Relevant	1 055 882	805 490	82 306	11 702	9 971	146 413	75 867	27 484	14	2 009	46 359
Corporate customers	2 131 203	1 678 905	98 699	9 795	50 140	293 663	131 210	23 987	1 147	14 465	91 611
Other	509 992	439 875	16 480	1 988	1 260	50 390	20 927	1 342	223	387	18 975
Total	**6 469 052**	**5 033 004**	**456 982**	**63 547**	**133 016**	**782 503**	**357 323**	**67 088**	**3 799**	**40 580**	**245 856**

b) Detailed credit portfolio by segment and year of production.

30/06/16	**Corporate**			**Property construction and CRE**			**Residential mortgage loans**		
Production year	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment
<= 2004	7	13	8	662	17 383	2 603	4 631	142 314	1 936
2005	4	4	4	186	9 114	1 074	1 912	100 763	1 201
2006	29	5 221	4	280	12 481	1 567	1 739	88 950	1 284
2007	46	0	0	417	31 959	7 587	2 005	108 162	2 168
2008	15	0	0	390	13 657	1 564	2 669	152 762	1 565
2009	21	11 664	7 320	515	18 681	3 626	3 101	189 672	2 252
2010	43	5 420	3 420	645	32 183	10 386	4 055	277 195	2 501
2011	78	9 646	280	664	28 187	7 845	1 954	153 688	1 046
2012	20	10 483	8 806	632	37 048	7 718	863	70 631	926
2013	41	22 891	3 994	821	44 906	7 200	1 052	78 735	562
2014	30	12 946	3 655	768	56 587	7 940	1 512	124 814	485
2015	92	257 754	8 633	3 821	184 716	12 965	2 027	190 198	1 555
2016	64	21 620	44	960	53 030	1 441	1 435	138 486	137
Total	**490**	**357 661**	**36 169**	**10 761**	**539 933**	**73 516**	**28 955**	**1 816 369**	**17 617**

30/06/16	Relevant			Corporate customers			Other		
Production year	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment
<= 2004	40	18 415	976	1 469	6 981	1 257	3 472	14 464	585
2005	16	3 550	4	505	6 448	717	1 883	5 856	501
2006	25	35 585	5 324	748	9 108	2 041	2 894	10 809	1 216
2007	20	37 126	633	1 141	27 106	4 359	3 349	10 026	2 186
2008	23	84 114	5 835	1 065	12 019	1 822	3 225	13 309	2 015
2009	187	69 434	9 726	1 429	50 096	7 792	5 169	17 901	2 406
2010	84	41 980	3 457	2 052	66 743	13 225	7 119	28 774	3 492
2011	62	44 006	326	1 900	68 727	10 781	5 597	24 279	2 737
2012	85	27 598	98	3 132	103 822	13 553	7 631	11 571	1 182
2013	122	83 532	21 663	4 423	161 755	15 684	7 504	14 371	1 026
2014	202	156 847	5 199	4 887	281 239	20 006	8 890	41 577	1 201
2015	433	362 316	21 538	19 307	982 001	31 000	17 005	137 114	2 161
2016	335	91 379	1 087	6 385	262 953	6 232	7 350	172 589	220
Total	**1 634**	**1 055 882**	**75 867**	**48 443**	**2 038 998**	**128 470**	**81 088**	**502 639**	**20 927**

30/06/15	Corporate			Property construction and CRE			Residential mortgage loans		
Production year	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment
<= 2004	2	19	6	401	22 842	5 278	3 351	154 878	2 114
2005	1	12	12	115	9 293	2 524	1 991	108 762	1 720
2006	3	6 304	6	182	16 567	1 608	1 809	96 006	1 620
2007	0	0	0	284	36 297	5 331	2 098	117 502	2 799
2008	0	0	0	224	16 113	2 054	2 772	163 810	2 111
2009	1	11 140	4 709	408	28 511	7 750	3 216	203 716	2 752
2010	6	16 139	705	564	44 971	12 983	4 172	294 342	3 011
2011	69	10 219	49	620	33 390	8 921	2 040	164 186	1 305
2012	20	18 250	5 422	846	53 280	9 085	903	75 451	1 010
2013	32	30 775	3 741	844	56 599	8 369	1 071	82 299	564
2014	105	110 992	3 966	3 569	178 650	17 637	1 582	133 722	413
2015	147	19 588	17	877	54 150	2 493	693	71 013	125
Total	**386**	**223 438**	**18 633**	**8 934**	**550 663**	**84 033**	**25 698**	**1 665 687**	**19 544**

30/06/15	Relevant			Corporate customers			Other		
Production year	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment	Number of transactions	Amount	Constituted impairment
<= 2004	15	25 419	2 428	972	8 465	1 698	2 536	18 335	624
2005	11	16 503	1 032	397	7 929	1 091	1 191	8 777	471
2006	17	54 873	9 496	616	9 311	1 821	1 755	12 334	1 251
2007	28	67 272	5 011	960	27 925	4 331	2 475	11 384	2 269
2008	17	90 870	6 086	877	18 489	4 135	2 496	16 687	2 191
2009	268	95 145	2 902	1 359	57 039	11 457	3 461	21 900	2 665
2010	37	61 604	5 973	2 444	91 210	18 665	4 891	35 603	3 752
2011	56	65 770	1 634	2 458	86 510	14 957	3 973	31 153	2 982
2012	60	53 158	1 718	4 424	163 432	15 953	3 837	14 902	1 078
2013	103	172 680	20 339	4 991	241 753	19 426	3 822	19 392	1 333
2014	229	232 717	13 488	18 625	923 034	43 973	13 119	159 300	2 526
2015	90	205 137	17 092	5 603	320 967	8 432	4 101	31 144	1 812
Total	**931**	**1 141 148**	**87 199**	**43 726**	**1 956 064**	**145 939**	**47 657**	**380 911**	**22 954**

c) Detailed amount of gross credit exposure and individual and collectively assessed impairment by segment, business sector and geography.

c.1) By segment:

Individual

30/06/16	Corporate		Property construction and CRE		Residential mortgage loans	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	329 291	36 082	101 159	32 256	7 175	1 439
Collective	19 264	87	438 774	41 260	1 809 194	16 178
Total	**348 555**	**36 169**	**539 933**	**73 516**	**1 816 369**	**17 617**

	Relevant		Corporate customers		Other		Total	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	1 064 988	75 867	102 601	30 463	27 458	74	1 632 671	176 182
Collective	0	0	1 936 396	98 007	475 181	20 853	4 678 810	176 385
Total	**1 064 988**	**75 867**	**2 038 998**	**128 470**	**502 639**	**20 927**	**6 311 481**	**352 567**

30/06/15	Corporate		Property construction and CRE		Residential mortgage loans	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	208 540	18 560	123 735	38 159	8 618	1 084
Collective	14 898	73	426 928	45 874	1 657 069	18 460
Total	**223 438**	**18 633**	**550 663**	**84 033**	**1 665 687**	**19 544**

	Relevant		Corporate customers		Other		Total	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	1 141 148	87 199	122 372	42 411	37 143	987	1 641 493	188 393
Collective	63	7	1 833 692	103 528	343 768	21 967	4 276 418	189 909
Total	**1 141 148**	**87 199**	**1 956 064**	**145 939**	**380 911**	**22 954**	**5 917 911**	**378 302**

Consolidated

30/06/16	Corporate		Property construction and CRE		Residential mortgage loans	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	358 623	36 425	126 285	32 316	7 175	1 439
Collective	22 819	1 183	438 774	41 777	1 809 194	16 178
Total	**381 442**	**37 608**	**565 059**	**74 093**	**1 816 369**	**17 617**

	Relevant		Corporate customers		Other		Total	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	1 064 988	75 867	102 601	30 463	27 458	74	1 687 129	176 585
Collective	0	0	2 028 601	100 747	482 534	20 853	4 781 923	180 738
Total	**1 064 988**	**75 867**	**2 131 203**	**131 210**	**509 992**	**20 927**	**6 469 052**	**357 323**

c.2) By business sector:

Individual

30/06/16	Property construction		Industries		Commerce	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	247 938	68 081	266 551	13 639	132 244	20 268
Collective	192 699	24 076	728 733	31 781	703 457	45 600
Total	**440 638**	**92 157**	**995 284**	**45 420**	**835 701**	**65 868**

	Financial/Insurance Companies		Real Estate Agents		Other		Total	
Assessment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	191 584	18 188	183 404	13 553	376 237	32 887	1 397 958	166 616
Collective	141 062	1 419	121 558	5 860	577 908	23 704	2 465 417	132 440
Total	**332 646**	**19 606**	**304 962**	**19 414**	**954 145**	**56 590**	**3 863 375**	**299 055**

30/06/15 Assessment	Property construction Exposure	Property construction Impairment	Industries Exposure	Industries Impairment	Commerce Exposure	Commerce Impairment
Individual	309 854	62 437	196 886	15 701	121 368	23 350
Collective	201 518	25 396	686 791	33 545	696 789	47 791
Total	**511 372**	**87 833**	**883 677**	**49 246**	**818 157**	**71 141**

Assessment	Financial/Insurance Companies Exposure	Financial/Insurance Companies Impairment	Real Estate Agents Exposure	Real Estate Agents Impairment	Other Exposure	Other Impairment	Total Exposure	Total Impairment
Individual	257 989	12 470	177 398	23 990	345 356	39 449	1 408 851	177 397
Collective	130 532	1 670	108 430	7 539	510 860	26 058	2 334 920	141 999
Total	**388 521**	**14 140**	**285 828**	**31 529**	**856 216**	**65 507**	**3 743 771**	**319 396**

Consolidated

30/06/16 Assessment	Property construction Exposure	Property construction Impairment	Industries Exposure	Industries Impairment	Commerce Exposure	Commerce Impairment
Individual	256 621	68 141	310 171	14 094	132 244	20 268
Collective	203 041	24 514	757 243	33 032	703 457	45 600
Total	**459 663**	**92 655**	**1 067 414**	**47 126**	**835 701**	**65 868**

Assessment	Financial/Insurance Companies Exposure	Financial/Insurance Companies Impairment	Real Estate Agents Exposure	Real Estate Agents Impairment	Other Exposure	Other Impairment	Total Exposure	Total Impairment
Individual	191 584	18 188	183 404	13 553	376 237	32 887	1 450 261	167 131
Collective	141 062	1 419	121 558	5 860	644 324	26 256	2 570 685	136 681
Total	**332 646**	**19 606**	**304 962**	**19 414**	**1 020 561**	**59 142**	**4 020 946**	**303 811**

c.3) By geography:

Individual

Assessment	30/06/16 Portugal Exposure	30/06/16 Portugal Impairment
Individual	1 632 671	176 182
Collective	4 678 810	176 385
Total	**6 311 481**	**352 567**

Assessment	30/06/15 Portugal Exposure	30/06/15 Portugal Impairment
Individual	1 641 493	188 393
Collective	4 276 418	189 909
Total	**5 917 911**	**378 302**

Consolidated

	30/06/16 Portugal	
Assessment	Exposure	Impairment
Individual	1 670 686	176 585
Collective	4 798 366	180 738
Total	**6 469 052**	**357 323**

d) Detailed portfolio of restructured loans by applied restructuring measure.

	30/06/16								
	Performing loans			Non-performing loans			Total		
Measure	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment
Maturity date extension	247	56 819	2 441	332	62 335	15 524	579	119 154	17 965
Grace period	1 001	80 315	2 149	1 072	143 891	38 372	2 073	224 206	40 521
Other measures	1 682	115 566	24 847	1 613	123 688	41 810	3 295	239 254	66 657
Total	**2 930**	**252 700**	**29 437**	**3 017**	**329 914**	**95 706**	**5 947**	**582 614**	**125 143**

	30/06/15								
	Performing loans			Non-performing loans			Total		
Measure	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment	Number of transactions	Exposure	Impairment
Maturity date extension	1 144	134 576	7 516	523	115 406	21 843	1 667	249 982	29 359
Grace period	1 142	97 232	3 195	1 168	167 076	48 313	2 310	264 308	51 508
Other measures	1 244	46 795	5 036	960	62 360	16 570	2 204	109 155	21 606
Total	**3 530**	**278 603**	**15 747**	**2 651**	**344 842**	**86 726**	**6 181**	**623 445**	**102 473**

e) In and out movements in the restructured loan portfolio.

	30/06/16
Initial balance of the restructured portfolio (gross of impairment)	564 290
Restructured loans in the period	78 993
Interest on the restructured portfolio	- 856
Loan repayment (partial or total)	- 51 327
Loans reclassified from 'restructured' to 'regular"	- 15 253
Other	6 767
Final balance of the restructured portfolio (gross of impairment)	582 614

	30/06/15
Initial balance of the restructured portfolio (gross of impairment)	599 089
Restructured loans in the period	121 525
Interest on the restructured portfolio	4 935
Loan repayment (partial or total)	- 42 666
Loans reclassified from 'restructured' to 'regular"	- 59 053
Other	- 385
Final balance of the restructured portfolio (gross of impairment)	623 445

f) Detailed fair value of collaterals underlying the credit portfolio for the Corporate, Construction, Commercial Real Estate (CRE) and Residential segments.

30/06/16	Corporate				Property construction and CRE				Residential mortgage loans			
	Properties		Other real collaterals		Properties		Other real collaterals		Properties		Other real collaterals	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2	572	1	0	1 899	217 373	842	57 169	20 977	2 962 335	536	19 736
>= 0.5 M€ E < 1 M€	0	0	1	541	123	86 436	19	10 946	253	163 300	3	1 610
>= 1 M€ E < 5 M€	5	14 382	1	3 576	90	171 839	11	17 768	42	63 085	6	9 270
>= 5 M€ E < 10 M€	1	8 194	0	0	8	55 619	0	0	1	5 198	0	0
>= 10 M€ E < 20 M€	0	0	1	10 392	0	0	0	0	0	0	0	0
>= 20 M€ E < 50 M€	0	0	0	0	0	0	0	0	0	0	0	0
>= 50M€	0	0	0	0	0	0	0	0	0	0	0	0
Total	**8**	**23 148**	**4**	**14 508**	**2 120**	**531 267**	**872**	**85 883**	**21 273**	**3 193 919**	**545**	**30 616**

30/06/15	Corporate				Property construction and CRE				Residential mortgage loans			
	Properties		Other real collaterals		Properties		Other real collaterals		Properties		Other real collaterals	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0.5 M€	2	572	2	93	1 658	194 846	920	50 501	20 160	2 769 960	459	17 725
>= 0.5 M€ and < 1 M€	0	0	2	1 111	145	101 081	17	10 430	217	139 309	3	1 860
>= 1 M€ and < 5 M€	3	6 324	1	3 576	113	211 022	5	5 990	31	48 945	6	10 970
>= 5 M€ and < 10 M€	2	16 388	0	0	8	47 865	0	0	0	0	0	0
>= 10 M€ and < 20 M€	0	0	1	10 392	1	13 500	0	0	0	0	0	0
>= 20 M€ and < 50 M€	0	0	0	0	0	0	0	0	0	0	0	0
>= 50M€	0	0	0	0	0	0	0	0	0	0	0	0
Total	**7**	**23 284**	**6**	**15 172**	**1 925**	**568 314**	**942**	**66 921**	**20 408**	**2 958 214**	**468**	**30 555**

g) LTV ratio for the Corporate, Construction, CRE and Residential segments.

	30/06/16			
Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
Without any collateral	n.a.	258 199	55 971	32 694
< 60%	1	5 221	321	36
>= 60% and < 80%	1	1 326	0	1
>= 80% and < 100%	1	8 053	0	7
>= 100%	5	14 044	5 420	3 431
Property construction and CRE				
Without any collateral	n.a.	146 003	99 056	45 292
< 60%	1 151	76 997	27 265	7 400
>= 60% and < 80%	255	33 131	10 949	1 628
>= 80% and < 100%	393	26 747	14 255	2 323
>= 100%	320	67 281	38 248	16 873
Residential mortgage loans				
Without any collateral	n.a.	3 634	9 275	2 040
< 60%	9 676	501 205	27 124	3 693
>= 60% and < 80%	6 546	654 072	19 525	3 140
>= 80% and < 100%	3 934	434 482	22 455	3 693
>= 100%	1 116	112 379	32 218	5 050

Segment/Ratio	30/06/15 Number of properties	Performing loans	Non-performing loans	Impairment
Corporate				
Without any collateral	n.a.	143 216	53 577	17 920
< 60%	2	6 600	388	6
>= 60% and < 80%	1	1 591	0	1
>= 80% and < 100%	1	0	8 029	7
>= 100%	3	4 911	5 126	699
Property construction and CRE				
Without any collateral	n.a.	173 158	100 161	56 706
< 60%	1 334	82 587	35 276	9 135
>= 60% and < 80%	146	28 277	10 307	2 201
>= 80% and < 100%	182	21 853	11 408	3 100
>= 100%	262	51 038	36 598	12 891
Residential mortgage loans				
Without any collateral	n.a.	31 889	5 064	1 316
< 60%	9 993	473 038	29 324	4 563
>= 60% and < 80%	5 602	533 139	22 595	3 850
>= 80% and < 100%	3 783	404 451	28 582	5 067
>= 100%	1 030	102 964	34 641	4 748

h) Detailed fair value and net book value of repossessed properties or foreclosed properties, by type of asset or time elapsed.

Assets	30/06/16 Number of properties	Fair value of the asset	Carrying amount
Land			
Urban	113	17 047	12 859
Rural	75	12 332	8 027
Properties under development			
Residential	371	39 492	38 843
Commercial	10	1 275	1 222
Other	36	2 748	2 587
Built properties			
Residential	464	58 917	54 844
Commercial	113	9 383	7 946
Other	302	29 160	24 742
Other	9	2 503	2 439
	1 493	172 857	153 509

Assets	30/06/15 Number of properties	Fair value of the asset	Carrying amount
Land			
Urban	69	6 960	5 441
Rural	33	6 545	5 250
Properties under development			
Residential	346	30 892	30 050
Commercial	24	1 151	965
Other	163	5 878	5 363
Built properties			
Residential	455	57 359	53 538
Commercial	91	8 157	7 163
Other	114	22 899	21 228
Other	19	3 997	3 780
	1 314	143 838	132 778

Time elapsed since repossession/foreclosure	30/06/16 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land					
Urban	10 083	1 187	1 146	443	**12 859**
Rural	4 742	686	2 257	343	**8 028**
Properties under development					
Residential	17 003	9 647	1 503	10 690	**38 843**
Commercial	589	46	0	587	**1 222**
Other	0	38	1 721	828	**2 587**
Built properties					
Residential	26 974	15 029	6 253	6 588	**54 844**
Commercial	3 017	2 989	864	1 076	**7 946**
Other	10 394	6 087	1 714	6 546	**24 741**
Other	278	0	1 361	800	**2 439**
	73 080	35 709	16 819	27 901	**153 509**

Time elapsed since repossession/foreclosure	30/06/15 < 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Land					
Urban	3 126	520	1 719	76	**5 441**
Rural	582	866	3 535	267	**5 250**
Properties under development					
Residential	1 504	7 650	7 499	13 397	**30 050**
Commercial	0	0	0	965	**965**
Other	533	198	3 708	924	**5 363**
Built properties					
Residential	24 318	17 986	4 667	6 567	**53 538**
Commercial	4 016	1 231	845	1 071	**7 163**
Other	6 472	10 780	2 280	1 696	**21 228**
Other	352	877	1 751	800	**3 780**
	40 903	40 108	26 004	25 763	**132 778**

i) Distribution of the credit portfolio measured by degrees of internal risks.

Although Banco Popular possesses internal rating models, these are still at their validation stage.

j) Disclosure of the risk parameters associated with the impairment model by segment.

Risk parameters associated with the impairment model by segment are explained in paragraph (n) of the qualitative disclosures of this note.

THE CERTIFIED PUBLIC ACCOUNTANT

THE BOARD OF DIRECTORS