2016

First Half Report

Statement pursuant to article 9 of CMVM Regulation number 5/2008 of the:

REPORT & ACCOUNTS FOR THE 1ST HALF OF 2016

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto - Share Capital of 4,094,235,361.88 Euros
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

Millennium bcp

The First Half of 2016 Annual Report is a translation of the “Relatório e Contas do 1º Semestre de 2016” document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the “Relatório e Contas do 1º Semestre de 2016” prevails.

All references in this document to the application of any regulations and rules refer to the respective version currently in force.

CONTENTS

Information on the BCP Group

KEY INDICATORS

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Balance sheet			
Total assets (1)	73,068	76,775	-4.8%
Loans to customers (gross) (1)	52,930	56,137	-5.7%
Total customer funds (1)	62,823	64,241	-2.2%
Balance sheet customer funds (1)	50,500	51,647	-2.2%
Customer deposits (1)	48,762	49,100	-0.7%
Loans to customers, net / Customer deposits (2)	102%	107%	
Loans to customers, net / Balance sheet customer funds (3)	97%	100%	
Results			
Net income	(197.3)	240.7	
Net interest income	600.8	571.5	5.1%
Net operating revenues	1,059.4	1,369.2	-22.6%
Operating costs	484.1	511.2	-5.3%
Loan impairment charges (net of recoveries)	618.7	463.7	33.4%
Other impairment and provisions	198.0	91.6	116.1%
Income taxes			
Current	56.4	44.8	
Deferred	(134.7)	1.3	
Profitability			
Net operating revenues / Average net assets (2)	2.8%	3.6%	
Return on average assets (ROA) (4)	-0.3%	0.8%	
Income before tax and non-controlling interests / Average net assets (2)	-0.5%	0.9%	
Return on average equity (ROE)	-8.8%	11.4%	
Income before tax and non-controlling interests / Average equity (2)	-7.2%	13.8%	
Credit quality			
Overdue loans and doubtful loans / Total loans (2)	9.7%	9.7%	
Overdue loans and doubtful loans, net / Total loans, net (2)	2.8%	3.5%	
Credit at risk / Total loans (2)	11.9%	12.4%	
Credit at risk, net / Total loans, net (2)	5.2%	6.4%	
Impairment for loan losses / Overdue loans by more than 90 days (1)	93.9%	86.1%	
Efficiency ratios (2) (5)			
Operating costs / Net operating revenues	45.6%	37.3%	
Operating costs / Net operating revenues (Portugal)	47.5%	33.3%	
Staff costs / Net operating revenues	25.7%	21.1%	
Capital (6)			
Common equity tier I phased-in	12.3%	13.1%	
Common equity tier I fully implemented	9.7%	9.6%	
Branches (3)			
Portugal activity	646	691	-6.5%
Foreign activity	563	669	-15.8%
Employees (3)			
Portugal activity	7,402	7,599	-2.6%
Foreign activity	8,496	9,699	-12.4%

(1) Adjusted from the effect related to the classification of Banco Millennium in Angola as discontinued operation in 2015.

(2) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version, including Banco Millennium in Angola.

(3) Includes discontinued operations in 2015.

(4) Considering net income before non-controlling interests.

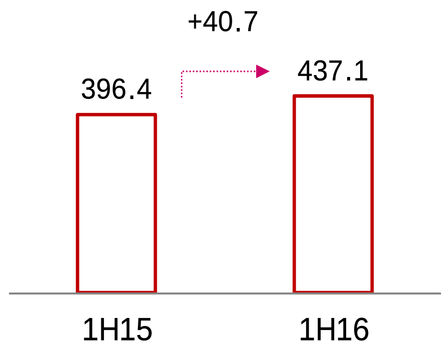
(5) Excludes the impact of specific items: restructuring costs (Euro 1,2 million in 2016).

(6) According with CRD IV/CRR.

MAIN HIGHLIGHTS

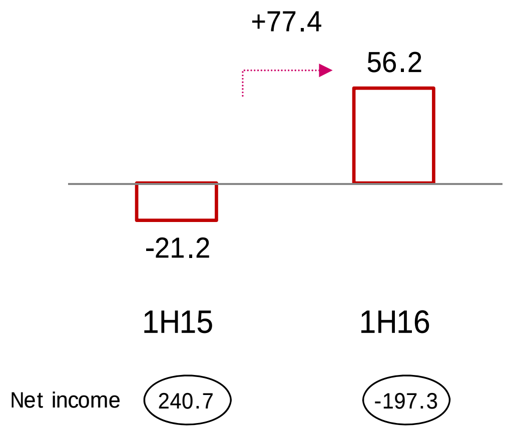
Core net income*

(*Million euros*)

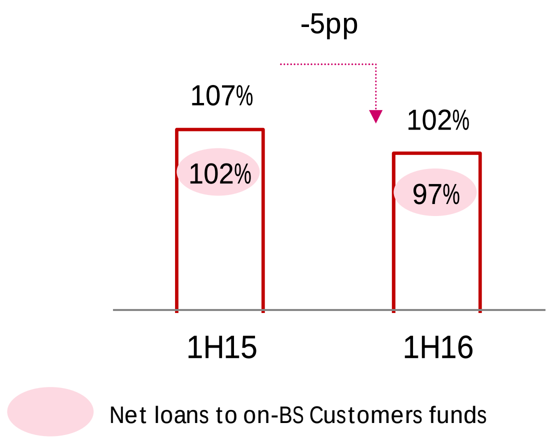


Net income excluding non-usual items**

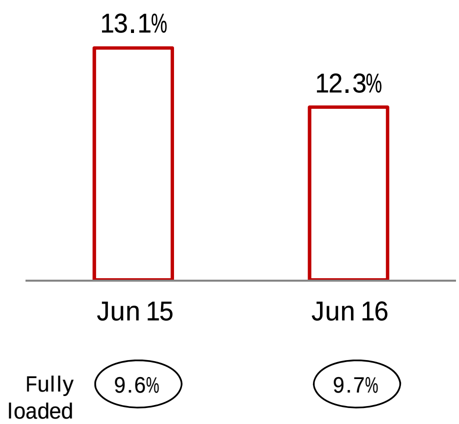
(*Million euros*)



Loans to deposits ratio***



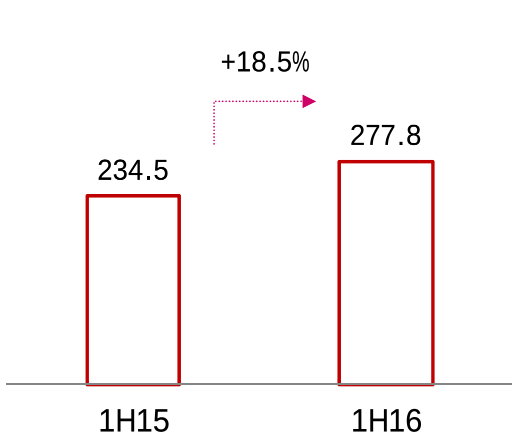
Phased-in capital ratio (CET1 – CRD IV / CRR)****



* Core net income = net interest income + net fees and commission income – operating costs. | ** Non-usual items in 1H16: gains on Visa transaction, devaluation of corporate restructuring funds, additional impairment charges to increase coverage; non-usual items in 1H15: capital gains on Portuguese sovereign debt and devaluation of corporate restructuring funds. | *** According to the current version of Notice 16/2004 of the Bank of Portugal. | *** Estimates.

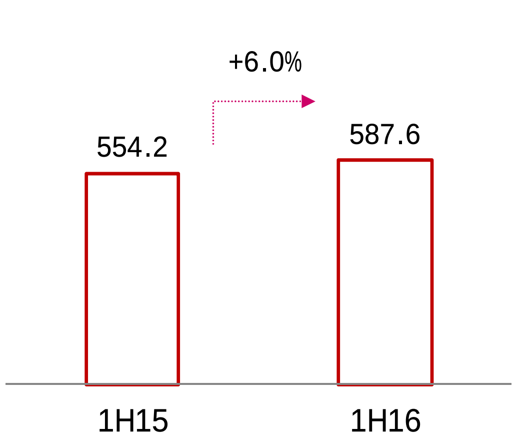
Core net income*

(*Million euros*)



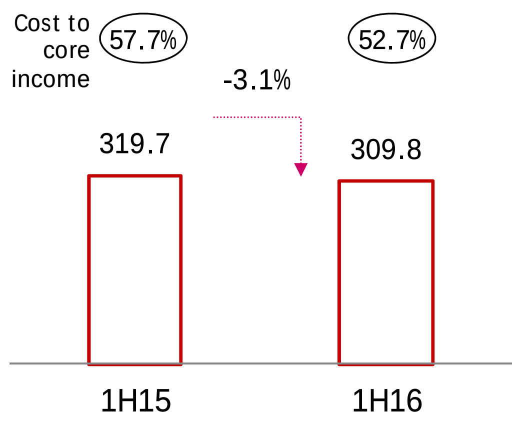
Core income (net interest income + net commissions)

(*Million euros*)



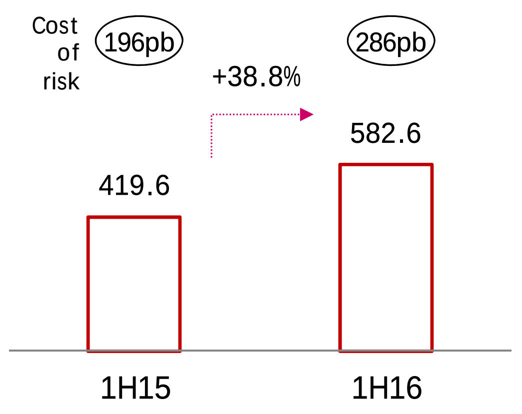
Operating costs

(*Million euros*)



Loans impairments in Portugal

(*Million euros*)



* Core net income = net interest income + net fees and commissions income – operating costs.

BCP Group in the First Half of 2016

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese privately-owned bank. The Bank, with its decision centre in Portugal, guides its action by the respect for people and institutions, by the focus on the Customer, by a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, BMA has merged with BPA), and in Europe through its banking operations in Poland and Switzerland. The Bank has operated in Macau through a full branch since 2010, when a memorandum of understanding was signed with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China.

History

Foundation and organic growth to become a relevant player	Development in Portugal through acquisitions and partnerships	Internationalisation and creation of a single brand	Restructuring Process involving the divesture in non-strategic assets
1985: Incorporation **1989:** Launch of NovaRede **Up to 1994:** Organic growth, reaching a market share of approximately 8% in loans and deposits in 1994	**1995:** Acquisition of Banco Português do Atlântico, S.A. **2000:** Acquisition of Banco Pinto & Sotto Mayor from CGD and incorporation of José Mello Group (Banco Mello and Império) **2004:** Agreement with CGD Group and Fortis (Ageas) for the insurance business	**1993:** Beginning of the presence in the East **1995:** Beginning of the presence in Mozambique **1998:** Partnership agreement with BBG (Poland) 1999: Set up of a greenfield operation in Greece **2000:** Integration of the insurance operation into Eureko **2003:** - Banque Privée incorporation - Change of Poland operation's denomination to Bank Millennium **2006:** Adoption of a single brand "Millennium" **2006:** BMA incorporation **2007:** Beginning of activity in Romania **2008:** Strategic partnership agreement with Sonangol and BPA **2010:** Transformation of Macau branch from off-shore to on-shore	**2005:** - Sale of Crédilar - Sale of BCM and maintenance of an off-shore branch in Macao - Divesture in the insurance activity, following the partnership agreement with Ageas for the bancassurance activity **2006:** - Sale of the financial holding of 50.001% in Interbanco - Conclusion of the sale of 80.1% of the share capital of the Banque BCP in France and Luxembourg **2010:** - Sale of 95% of Millennium bank AS in Turkey and sale agreement for the entire branch network and the deposit basis of Millennium bcpbank in USA **2013:** - Sale of the entire share capital of Millennium Bank Greece (MBG) to Piraeus Bank - Sale of 10% of the share capital of Banque BCP in Luxembourg - Sale of the full shareholding in Piraeus Bank **2014:** - Sale of the entire share capital of Banca Millennium Romania (BMR) to OTP Bank - Sale of the entire share capital of 49% in the non-life insurance business, held in Ocidental and Médis **2015:** - Sale of the entire share capital of Millennium bcp Gestão de Ativos - Sale of 15.41% of the share capital of Bank Millennium **2016:** - Merger between Banco Millennium Angola and Banco Privado Atlântico

Competitive Positioning

At the end of June 2016, Millennium bcp was the largest Portuguese privately-owned bank with a relevant position in the countries where it operates.

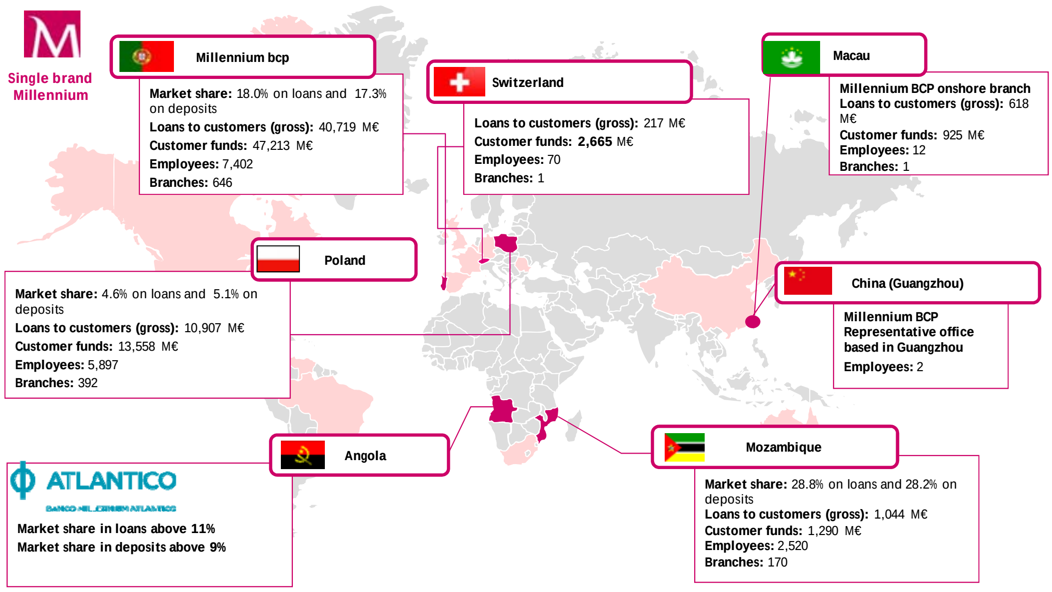
The Bank offers a wide range of banking products and financial services, directed at Individuals and Companies, has a leading position in the Portuguese financial market and is positioned to benefit from the recovery of the Portuguese economy, mainly through the support that the Bank provides to Companies.

Its mission of ensuring excellence, quality service and innovation are values which make the Bank distinctive and differentiated from the competition.

By the end of June 2016, operations in Portugal accounted for 75% of total assets, 77% of total loans to Customers (gross) and 75% of total customer funds. The Bank had over 2.3 million Customers in Portugal and market shares of 18.0% and 17.3% for loans to Customers and customer deposits, respectively, in June 2016.

Millennium bcp is also present in the five continents of the world through its banking operations, representation offices and/or commercial protocols, serving over 5.3 million Customers, at the end of June 2016.

Millennium bcp has a strategy of growth focused on key strategic markets



Millennium bcp continues to pursue its operations in Africa through Millennium bim, a universal bank, has been operating since 1995 in Mozambique, where it has over 1.5 million Customers and is the leading bank in this country, with 28.8% of loans and advances to Customers and 28.2% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

On 8 October, a memorandum of understanding was signed with the largest shareholder of Banco Privado Atlântico, S.A. (Global Pactum – Gestão de Ativos, S.A.), with the aim of merging Banco Millennium Angola, S.A. and Banco Privado Atlântico, S.A., which will create the 2nd largest private institution in terms of lending to the economy, with a market share of approximately 10% in turnover.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. As at 30 June 2016, Bank Millennium had a market share of 4.6% in loans to Customers and of 5.1% in deposits.

The Group has an operation in Switzerland since 2003, through a private banking platform offering personalised quality services to the Group's high net worth Customers, comprising asset management solutions based on rigorous research and profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group has also been present in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macau was expanded, through the attribution of a full license (onshore) aimed at establishing an international platform for business operations between Europe, China and Portuguese-speaking Africa.

The Bank also has 10 representation offices (1 in the United Kingdom, 1 in Germany, 3 in Switzerland, 2 in Brazil, 1 in Venezuela, 1 in China in Guangzhou and 1 in South Africa), 5 commercial protocols (Canada, USA, Spain, France and Luxembourg) and 1 commercial promoter (Australia).

Millennium Network

DISTRIBUTION NETWORK

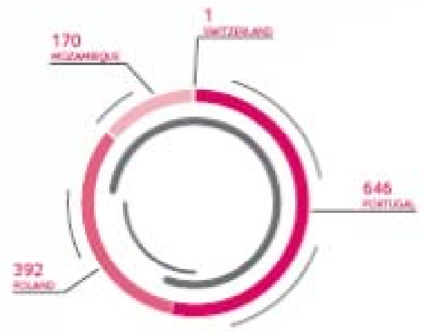
1.209 MILLENNIUM BRANCHES

NUMBER OF BRANCHES

	2016	2015	2014	Change % 15/14
TOTAL IN PORTUGAL (*)	646	671	695	-3.5%
Poland	392	411	423	-2.8%
Switzerland	1	1	1	0.0%
Mozambique	170	169	166	-1.8%
Angola (**)	–	90	88	2.3%
TOTAL OF INTERNACIONAL OPERATIONS	563	671	678	-1.0%
TOTAL	1,209	1,342	1,373	-2.3%

(*) Includes Macao branch.
(**) As a result of the merger, the operation in Angola is run through the associated BMA.

BRANCHES BREAKDOWN



PORTUGAL

TOTAL OF BRANCHES
BRANCHES OPENED ON SATURDAY
BRANCHES WITH DIFFERENTIATED SCHEDULE
BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY
(*) Includes branches of different networks sharing the same premises.

INTERNATIONAL
POLAND AND SWITZERLAND

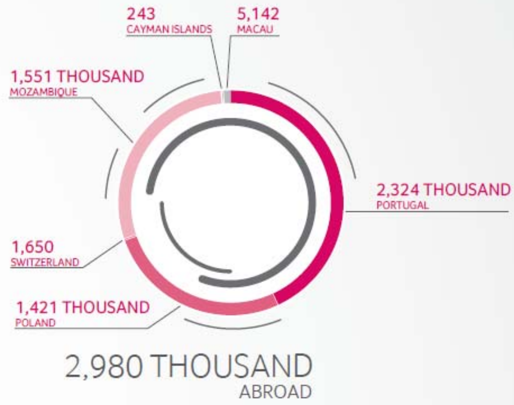
MOZAMBIQUE

REMOTE CHANELS AND SELF-BANKING

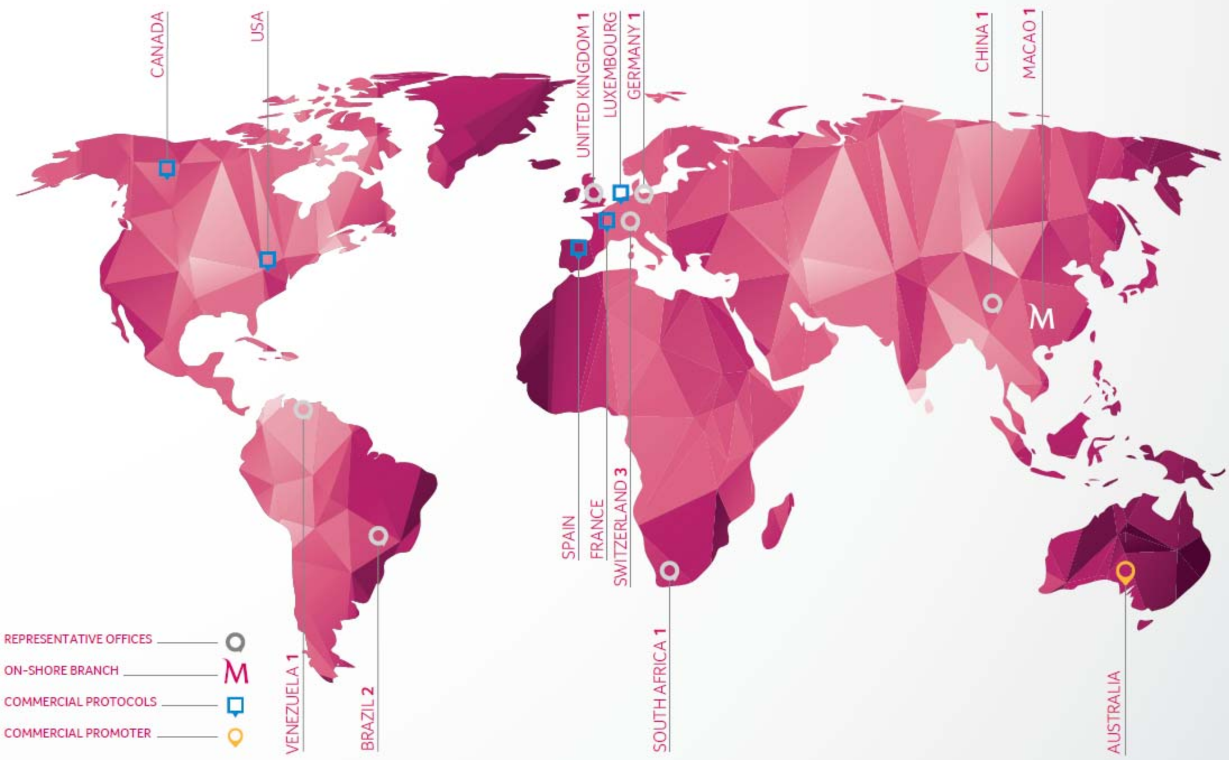
	Internet	Call Centre	Mobile Banking	ATM (*)	POS (**)
TOTAL IN PORTUGAL (*)	582,755	71,048	211,390	1,997	44,350
Poland	969,872	112,213	474,023	504	–
Switzerland	444	–	–	–	–
Mozambique	19,012	10,813	377,000	468	7,611
TOTAL OF INTERNACIONAL OPERATIONS	989,328	123,026	851,023	972	7,611
TOTAL DO GRUPO	1,572,083	194,074	1,062,413	2,969	51,961

Note: in Portugal there are considered Customers/active users those who used Internet, call centre or mobile banking at least once in the last 90 days.
(*) Automated Teller Machines.
(**) Point of Sales.

5.304 MILLION CUSTOMERS



REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS AND COMMERCIAL PROMOTER



BUSINESS MODEL

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

The Group provides a wide variety of banking services and financial activities in Portugal and abroad, where it is present in the following markets: Poland, Switzerland, Mozambique, Angola (through the associate BMA) and China. All its banking operations develop their activity under the Millennium brand. The Group also ensures its presence in the five continents of the world through representation offices and/or commercial protocols.

The Bank offers a vast range of financial products and services: current accounts, payment systems, savings and investment products, private banking, asset management and investment banking, including mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated, in order to benefit from economies of scale.

In Portugal, Millennium bcp has the second largest distribution network, focused on the retail market, providing services to its Customers in a segmented manner. The operations of the subsidiaries generally provide their products through the Bank's distribution networks, offering a wide range of products and services.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Largest privately-owned banking institution

Millennium bcp is Portugal's largest privately-owned banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a strong and modern and significant franchise at a national level.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and speed aimed at Mass-market Customers, and through the innovation and personalised management of service targeting Prestige and Business Customers. The Retail Banking also has a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity, offering innovative products and services, the ActivoBank.

The Bank also offers remote banking channels (banking service by telephone and Internet), which operate as distribution points for its financial products and services.

At the end of June 2016, the Bank had 646 branches, serving over 2.3 million Customers, and held the position of second bank (first privately-owned bank) in terms of market share for both loans to Customers (18.0%), and customer deposits 17.3%), in June 2016.

Resilience and sustainability of the business model

The resilience of the business model is primarily based on the Bank's concentration on retail banking, by nature more stable and less volatile, in relation to the lower weight of financial operations. The Bank adopted a new business model based on a new segmentation of its Customers, a review of the products and services that it offers and adjustment of its back-office and branch network, as well as the aim of becoming closer to its Customers, while at the same time reducing operating costs. The objective of the Bank is to ensure sustainable profitability in the medium and long term, seeking to become the best in class in terms of operational efficiency, improving operating profit in a sustainable manner and maintaining a high level of credit risk control, thus preserving its strategic position in the Portuguese retail and SME banking services market.

In September 2013, the Directorate General for Competition of the European Commission announced the formal agreement with the Portuguese authorities on the restructuring plan of the Bank, having concluded that it complies with the rules of the European Union regarding state aid, showing the Bank is viable without continued State support.

The share capital increase operation concluded in July 2014 enabled the Bank to accelerate its strategic plan, by repaying a total of 2,250 million Euros of the hybrid capital instruments (CoCos) underwritten by the Portuguese State in 2014, gathering conditions to bring forward the full repayment of these instruments by the end of June 2017 and increasing the organic generation of capital, building the foundation for sustainable earnings growth, which will promote greater balance between the contribution of the domestic and international components.

In June 2015, the Bank successfully completed a public offer of exchange of securities issued by the

Group for the delivery of new ordinary shares of the Bank, having increased its share capital by 387.5 million Euros, from 3,706.7 million Euros to 4,094.2 million Euros, through the issue of 4,844,313,860 new ordinary shares, book-entry and registered without nominal value, with an issue price of 0.0834 Euros per share, which contributed to the favourable evolution of the CET1 ratio in the 2nd quarter of 2015.

The operation for the repurchase of debt securities, limited to a maximum global purchase amount of 300 million Euros, ended in February 2016. Millennium bcp received valid intentions to sell with the total nominal amount of 378,509,996.96 Euros and accepted 85,326,455.52 Euros.

The Strategic Agenda 2016-2018 of Millennium bcp began to be implemented during the first six months of 2016. During this period of time, the initiatives part of this strategic Agenda focused mainly on the renewal of the branch network, together with innovation and communication. The Bank adopted a new branch layout, more modern and prepared to face the new Customer profile, increasingly digital and technological. The launching of innovative products such as the online credit, a new version of the Millennium bcp App or a digital platform for the management of the Portugal 2020 projects are the outcome of the efforts developed by the teams involved in the implementation of the Millennium bcp's Strategic Agenda. The most visible aspect of the work carried out is the definition and dissemination of the new underlying values of the organization (an agile, modern, close, simple and sustainable Bank), together with the advertising campaign launched in May, which culminated with the Bank's new company motto “Aqui consigo” (a double entendre in Portuguese that means *Always with you/Here I can*).

Innovation and capability to deliver

Since its incorporation, the Bank has built a reputation associated with innovation. The Bank was the first Bank in Portugal to introduce specific innovative concepts and products, including direct marketing methods, layouts based on customer profiles, salary accounts, simpler branches ("NovaRede"), telephone banking services, through Banco 7, which later became the first online banking services platform, health insurance (Médis) and direct insurance, and a website dedicated to individual Customers and corporate banking. The Bank was also a pioneer in the launch of a new Internet Banking concept, based on the ActivoBank platform, which provides a simplified service to the customer, including the opening of a current account using a tablet.

Technology

Pursuing a strategy based on the ongoing improvement of its information systems, the Bank developed a set of initiatives and structuring projects during this period of time, of which it points out, within the scope of the Project “Go Paperless”, the possibility of using a digital signature and the consequent dematerialisation of new processes, namely investment funds transactions, some card transactions, capitalisation insurance/PPR (retirement savings plans) and also the dematerialisation of cashier transactions without direct interaction with the Customers; the new “Innovation App ”, a new version of the Millennium App, with new tools such as the pre-login widget, a customised background, login using finger print, the loans breakdown; the “M2020 App”, an innovative tool to help companies organize and monitor the Portugal 2020 Projects; the implementation of the new tool "Pending Operations" providing greater flexibility for making operations initiated at a Branch which may be validated, authorized and concluded by the Customer at the Bank's website and also the reformulation of the layout of the website of ActivoBank, making it simpler and more intuitive, improving its web browsing.

Concerning operational enhancements it must be pointed out the new platform “Millennium Customer Care Application” in the management of claims and the new MARC solution (“Model for the Follow-up and Settlement of Credit) to enhance the proactive follow-up and monitoring of Customers, the adoption of the "new Prestige Segmentation" to provide a more personalized offer, better adjusted to the reality experienced by this segment and the provision of a “Prestige File” and a set of new tools, namely greater transaction detail, computation of yields and investment solutions according to each investor's profile. It has also to be mentioned the adjustments introduced to enable the use of the pan-European Platform for the settlement of securities transactions (Target 2 Securities - T2S) and the upgrade to the decision-making process for Real Estate Leasing proposals and respective alignment of the platforms.

One must also mention the installation of assisted ATMs in Retail branches, the “Millennium Teller Machine”, which transformed the Customer service choreography and the launching of a new product for vehicles associated to the Personal Loan "MAuto” and the “MBWay” payments service.

Concerning projects with a legal and/or regulatory nature, among other, it must be mentioned the conclusion of the adjustments introduced to the account opening process, cash deposits and changing coins into notes and vice-versa, in accordance with the most recent legislation in force.

Internet & Mobile

During the first six months of 2016, the number of users of the Mobile platform for individuals increased 20%, +108% versus the same period of 2015 and around 128% in the number of operations made versus the same period in 2015. During this six-month period the Bank launched the new version of the Millennium App which brought as main novelty the use of biometrical data to access the App (finger prints), the customisation of the background, consultation of the loan's details and a widget for consultation of accounts and cards balances without having to log in.

The number of users of the Companies Mobile platform increased 36% and the number of transactions increased more than 54% versus the first six months of 2015. On 29 April the bank launched the first multiplatform App to help companies, anywhere and using any device (computer, smartphone or tablet) organize, simplify and follow-up their daily activities within the scope of the Portugal 2020 projects.

The number of users of the individuals' website remained the same during the first six months of 2016 but transactions grew 4% versus the same period in 2015. The website adopted some important new tools such as the collection of data for opening an account which may now be completed at any branch of Millennium bcp; the online request for a loan; new Western Union services (remittances in 6 hours); a new tool for pending operations for savings and subscription of integrated solutions, the M Contacto which improves the communication between managers and Customers and the renewal of the shopping area with new strategic partnerships for the Bank's non financial offer and a more appealing layout.

The number of users of the corporate website also increased 7.6% and the number of transactions increased 3% versus the same period of 2015. The Bank implemented a new co-browsing solution to assist Customers and clarify doubts while using the website. It also provided two new excel file formats for factoring and confirming to improve their use and the customer's experience. Through new warnings, the bank improved the information provided to the client on the processing of the scheduled operations.

The Millennium Brand and Communication with Customers

The first six months of 2016 showed, in terms of commercial communication, a special focus on innovation and capture of new Customers, in an attempt to reach all business segments, particularly Companies and Prestige.

But the major novelty came at the end of the six-month period with the alteration of the Bank's signature and the launching of a multimedia institutional campaign to translate not only the bank's commitment,but also the values underlying it – Agile, Modern, Close, Simple and Sustainable – all of them embedded in the new signature: "Aqui consigo" (a double entendre in Portuguese that means *Always with you/Here I can*).

With this new signature the Bank is stating that, with Millennium, the Client will be able to accomplish its projects and also that Millennium always stands by its Customers. The Campaign's objective was to transmit strategic messages based on the technological and digital innovation developed by the Bank and, together with the new signature words, the Bank also presented the Branches of the Future and a set of differentiated solutions and products such as the Online Credit, the M2020 App, together with the operations already available through the digital signature.

The communication established with Companies was also marked, as usual, by a campaign addressed to the Aplauso Customers, in recognition of the Company Customers who, year after year, strengthen their relation with Millennium bcp, and also to the solution Frequent Client Business, now with increased benefits and less costs.

For Prestige Customers the main actions focused on the capture of new funds and also of new Customers.

In Retail, several products continued to assume major importance, namely: Cards, Mortgage and Personal Loans, which were the basis for several campaigns aimed to inform Customers of the offer and benefits provided by Millennium bcp. Capturing new Customers was also a very important objective both through the campaign Triple Salary Advantage, spearheaded by the tennis player João Sousa, and also through the *Member get Member* actions.

The sponsorship of the Millennium Estoril Open was also a commercial communication high moment involving several actions mobilizing Customers for the most important tennis event of the year in Portugal. A mention must be made regarding the project *Online Dance Company powered by* Millennium, of which Millennium is the exclusive sponsor. This project seeks, through the digital platforms, to enhance the talent of young people through a project together with the dancer and choreographer Cifrão.

The first six months of 2016 represented another period of time during which Millennium tried to stay even closer to its Customers and their real needs, a desire translated by the new company motto "Aqui Consigo" (Always with you/Here I can).

Main awards received*

In the first half of 2016, the Bank received several awards, of which the following are noteworthy:

- According to DATA E (Companies Financial Barometer 2016), Millennium bcp is the "best bank for companies", has the "most suitable products to companies", is the bank "most innovative", the bank "closer to customers", the "most efficient and the "companies' main bank".
- Distinction of ActivoBank with the Five Star Award 2016 in the category "Banking - Account Opening".
- Bank Millennium brand won the first place, for the second consecutive time, in the "Consumer Choice" survey in the Banking Services category, scoring highest among the six evaluated banks in satisfaction and acceptance level.
- Bank Millennium was awarded the title of Institution of the Year 2015 and came 2nd (among 19 banks surveyed) in the "Branch Service Quality" category by MojeBankowanie.pl portal.
- Bank Millennium was hailed the "Most Innovative Bank of 2015" during the Great Gala of Leaders of the World of Banking and Insurance.
- "Bank of the Year in Mozambique 2015", for the fifth consecutive year, by The Bankers magazine.
- "Best Bank in Mozambique 2016" award granted by Global Finance to Millennium bim.
- "Best Internet Bank Angola 2015" prize by Global Banking & Finance Review.

* Awards are the exclusive responsibility of the entities that attributed them.

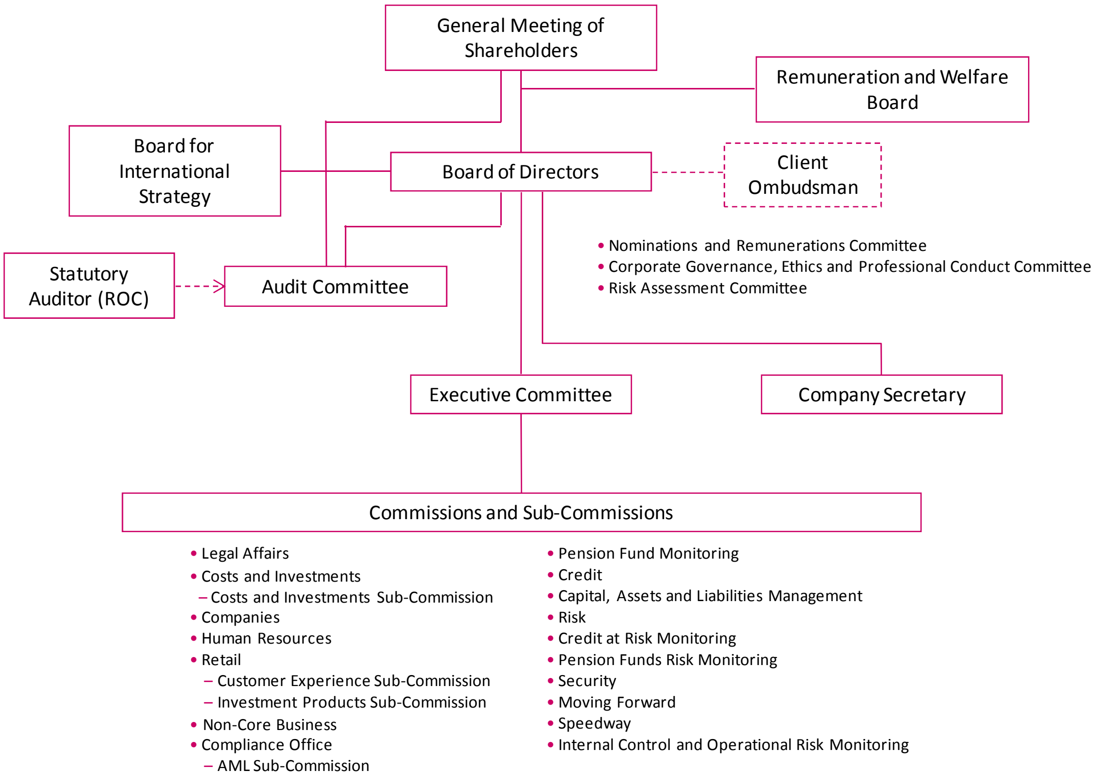
GOVERNANCE

Banco Comercial Português, S.A. employs a one-tier management and supervisory model, composed by a Board of Directors, which includes an Executive Committee and an Audit Committee comprised of only non-executive directors. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

In addition, the Group uses a Statutory Auditor and an external auditing firm to audit the individual and consolidated accounts of the Bank, whose appointment is deliberated at the General Meeting.

The members of the governing bodies were elected at the General Meeting of Shareholders held on 11 May 2015 to perform duties for the three-year period 2015/2017.

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



The General Meeting is the highest governing body of the company, representing the entirety of the shareholders, and its deliberations are binding for all when taken under the terms of law and the articles of association. The General Meeting is responsible for:

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Deliberating on the annual management report and accounts for the year and proposed application of results;
- Deliberating on matters submitted upon request of the management and supervisory bodies;
- Deliberating on all issues especially entrusted to it by the law or articles of association, or included in the duties of other corporate bodies;

The Board of Directors (BD) is the governing body of the Bank, pursuant to the law and articles of association, with the most ample powers of management and representation of the company.

Under the terms of the articles of association in force, the Board of Directors is composed of a minimum of 17 and maximum of 25 members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected.

The Board of Directors in office as at 30 June 2016 was composed of 19 permanent members, with 12 non-executives, including 2 members appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds, and 7 executives. On 26 February 2016, pursuant to a request made by one of the directors appointed by the State to be exonerated and by an order issued on 26 February 2016 by the Minister of Finance, he was exonerated from the position of non-executive member of the Board of Directors. In the meantime, the Minister of Finance already indicated the name of the individual he will appoint for the position, therefore it was requested, and we are currently waiting for it, the authorization from the ECB for him to exercise the respective functions. As soon as it is granted, the Minister of Finance will publish the Ordinance appointing the new Director.

The Board of Directors appointed an Executive Committee composed by 7 of its members, in which it delegates the day-to-day management of the Bank. During the first half of 2016, the Executive Committee was assisted in its management functions by several committees and commissions which oversaw the monitoring of certain relevant events.

The supervision of the company is assured by an Audit Committee, elected by the General Meeting, composed of a minimum of 3 and maximum of 5 members, elected together with all the other directors. The proposed lists for the Board of Directors must detail which members will be part of the Audit Committee and indicate the respective Chairman.

The Remuneration and Welfare Board is composed of 3 to 5 members, elected by the General Meeting, the majority of whom should be independent.

The Company Secretary and respective Alternate Secretary are appointed by the Bank's Board of Directors, with their duties ceasing upon the termination of the term of office of the Board that appointed them.

Identification and Composition of the Governing Bodies

	Board of Directors	Executive Committee	Audit Committee	Remuneration and Welfare Board	Board for International Strategy
António Vitor Martins Monteiro (Chairman of the BD)	●				●
Carlos José da Silva (Vice-chairman of BD)	●				●
Nuno Manuel da Silva Amado (Vice-chairman of BD and CEO)	●	●			●
Álvaro Roque de Pinho Bissaia Barreto	●				
André Magalhães Luiz Gomes	●				
António Henriques de Pinho Cardão	●				
António Luís Guerra Nunes Mexia	●				
Bernardo de Sá Braamcamp Sobral Sottomayor (*) (**)	●			●	
Cidália Maria Mota Lopes	●		●		
Jaime de Macedo Santos Bastos	●		●		
João Bernardo Bastos Mendes Resende	●				
João Manuel de Matos Loureiro (Chairman of AUDC)	●		●		
José Jacinto Iglésias Soares	●	●			
José Miguel Bensliman Schorcht da Silva Pessanha	●	●			
José Rodrigues de Jesus (*)	●		●		
Maria da Conceição Mota Soares de Oliveira Callé Lucas	●	●			
Miguel de Campos Pereira Bragança	●	●			
Miguel Maya Dias Pinheiro	●	●			
Raquel Rute da Costa David Vunge	●				
Rui Manuel da Silva Teixeira	●	●			
José Gonçalo Ferreira Maury (Chairman of RWB)				●	
José Guilherme Xavier de Basto				●	
José Luciano Vaz Marcos				●	
Manuel Soares Pinto Barbosa				●	
Carlos Jorge Ramalho dos Santos Ferreira (Chairman of BIS)					●
Francisco de Lemos José Maria					●
Josep Oliu Creus					●

(*) Members Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

(**) Following a requirement from Mr. Bernardo de Sá Braamcamp Sobral Sottomayor and as approved by His Excellency the Minister of State and Finance, on 26 February 2016, Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, one of the State representatives named in the scope of the Bank's recapitalization was exonerated from his duties as representative of the Portuguese State at the Board of Directors of the Bank. The same Board Member resignated to its position as Member of the Remuneration and Welfare Board on 12 February 2016.

Main Events in the First Half of 2016

January

- Signing of the protocol on the Dome Conservation Project of the Church of the Jerónimos Monastery between Millennium bcp Foundation and World Monuments Fund Portugal.
- Listing in 2016, for the second year in a row, in the "The Sustainability Yearbook", a leading publication in the Sustainability field produced yearly by analysts RobecoSAM, based on information collected in the responses to the "Dow Jones Sustainability Indices".

February

- Launching of a tender offer for purchasing back notes, limited to a maximum aggregate purchase amount of Euro 300 million, with Euro 378,509,996.96 in amortized principal amount outstanding of notes validly tendered for purchase, of which Millennium bcp has decided to accept for purchase Euro 85,326,455.52.
- Return of Millennium bcp to the Environmental, Social and Governance (ESG) indices from analysts ECPI, named "Global Developed ESG best in class - Equity".
- Conducting of another session of the Conference Millennium Jornadas for Companies in Beja.

March

- Selection of Cabot Square Capital LLP, a financial services specialist private equity firm with approximately €1 billion in funds under management, for exclusive discussions concerning the process of evaluation of strategic scenarios to enhance the value of ActivoBank.
- Meeting with Business Customers in view of clarifying the "Portugal 2020" Program.
- Conference to present export markets of high potential, which had the exclusive sponsorship of Millennium bcp, under the Portugal Global / AICEP Roadshow.

April

- General Shareholders Meeting held with 45% of the share capital represented and with all the proposals approved with a percentage of votes in favor between 94% and 99%, to be highlighted the approval of the 2015 Annual Report, the proposal to consider a reverse stock split if the securities code is revised to specifically allow such an operation, and empowering management to raise capital if needed via a share issue of up to 20% of the bank's total number of shares that suppresses preferential rights.
- The public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was executed on 22 April 2016.
- Millennium bcp joined the delegation of Portuguese corporations led by AIP, first visiting Dubai International Property Show, followed by the International Property & Investment Expo/Spring in Beijing.
- Millennium bcp sponsored the "Fórum de Investimento francês", a French investment event held by the Portuguese-French Chamber of Commerce.
- Millennium bcp confirmed in the "Ethibel Sustainability Index (ESI) Excellence Europe" from Forum Ethibel.

May

- Millennium bcp attended the investors' forum at Madrid's major real estate exhibition, facilitating contacts with local intermediaries and investors who believe Portugal to be a profitable place to develop their business and was also present at the Portuguese real estate exhibition in Paris.
- Release of a new version of the App Millennium, simpler yet innovative and that includes additional features to improve users' experience.

- Launching of M2020, the first App exclusively for Millennium customers intended to help companies organize and assist in managing their Portugal 2020 projects, anywhere and from any equipment.
- Restyling of ActivoBank's website, which now presents a simpler homepage, with a larger image and up-to-date icons; the pages have a different design, with the brand's font, which provides a much more contemporary appearance; the online banking facility is now displayed on full screen, thus improving usability and making it easier for customers to access the range of available transactions.
- Participation at a national level of Millennium bcp in the regular food collection campaign promoted by the Food Bank.

JUNE

- Completion of the evaluation of several scenarios to enhance the value of ActivoBank, a leading online bank in Portugal, having decided to keep ActivoBank in the BCP Group, given its ability to generate value, especially in the context of the expected evolution of BCP's banking business.
- Millennium bcp launched another new groundbreaking feature for its website, a data collection process for opening an account, which simplifies the process of opening an account at the bank, as it allows customers and non-customers to perform an important part of the procedure online.
- The Poland-Portugal-Angola-Brazil-Mozambique Business Forum, organized by the Polish-Portuguese Chamber of Commerce with the support of the Embassies of Portugal, Angola and Brazil in Warsaw, and the Embassy of Mozambique in Berlin was sponsored by Bank Millennium.
- Inclusion of BCP Group, for the first time, in the FTSE4Good Sustainability index – from FTSE Russel analyst -, a reference in ESG (Environmental, Social and Governance) performance evaluations.

RESPONSIBLE BUSINESS

The strategy of Millennium bcp in the wake of Sustainability is translated in the Sustainability Master Plan (SMP), a plan of commitments that aggregates a number of actions to be carried out by the Bank in Portugal. The definition of the intervention areas that constitute the multiannual SMP are the result of the joint assessment of the material issues identified by Stakeholders, the Bank's available resources, the economic scenario and market context at the moment.

Thus, the activity developed by Millennium bcp under the Responsible Business during the first half of 2016, synthesized in this chapter, reflects the Bank's commitment to provide a comprehensive response to the Sustainability Master Plan 2014 - 2015/16.

Sustainability Master Plan 2014 - 2015/16

Ethics and professional conduct	Enhance the ties established between the employees and the Bank's Values Foster a culture of compliance and a strict management of risk Publish clear policies on the prevention of corruption, on health and safety issues, human rights and the protection of maternity
Service quality	Implement and improve the satisfaction evaluation processes Create mechanisms for the immediate detection and management of improvement opportunities in the services provided to Customers
Accessibilities	Improve the implementation of differentiated working hours Enhance and promote accessibilities for individuals with special needs
Proximity and reporting	Enhance the proximity and involvement with the Bank's Shareholders Improve the institutional report in the wake of sustainability Make a consultation to identify the Stakeholder's expectations
Management of expectations	Consult the Bank's Stakeholders to know and meet their expectations Collect and implement ideas suggested by the Employees on Sustainability issues
Motivation	Identify best performances at Client Service level Support the adoption of healthy lifestyles Improve the mechanisms ensuring a greater proximity between the Employees and top managers
Products and Services	Consolidate the Bank's position in the micro credit market Improve the negotiation and search for solutions able to meet increasing financial difficulties of the Customers Promote and launch products that observe social responsibility principles and cope with the new environmental challenges
Share and promote awareness	Institutionalize the donation of the Bank's furniture and IT equipment to institutions in need Implemented social and/ or environmental awareness actions common to the entire Group Launch a financial literacy program transversal to the Bank
Volunteer actions	Structure a volunteering program for and with the participation of the Employees
Partnerships	Develop campaigns together with nongovernmental organizations and charitable institutions to foster a sustainable development
Fundação Millennium bcp	Improve the identity of Fundação Millennium bcp

Social and environmental risk	Promote climate changes awareness near Corporate Clients developing their activities in sectors more exposed to risks and environmental regulations Identify and classify Corporate Clients with greater environmental and social risks Formalize compliance with social and environmental requisites in the relation established with Suppliers
Environmental performance	Enhance the measures for the reduction of consumption Implement measures aimed at the reduction of waste and the creation of a formal recycling process Formalize and communicate Environmental Performance quantitative objectives

ETHICS AND PROFESSIONAL CONDUCT

- Within the prevention and detection of potential situations of money laundering and financing of terrorism (ML/FT), Compliance Office, during the first half of 2016, focused its activity on risk approach, reinforcing the scrutiny on account openings and keeping an effort for improvement in the efficiency of resource allocation in the analysis of transactions and Customers. In this context, highlight for the continuous processes of adjustment to support algorithms of the informatics solutions, in order to minimize false hits, and the RCM Actimize models SAM/AML.

- Establishment of working groups for anticipation of the impacts arising from the publication of new European legislation and proactive initiatives in order to mitigate their consequences, being worth noting the work already done in the wake of the legislation known as DMIF II, MAR and PRIIPS.

- Continued monitoring and support in the implementation of initiatives related to FATCA, CRS and FGD - Fundo de Garantia de Depósitos (deposit guarantee fund). In relation to FATCA, is underway the process of remediation of individual customers and businesses, and as for the CRS was included in the March statement message (validated by COFF) to remind customers of the need to update their personal data. In both cases were elaborated FAQ for use in the networks. As for the FGD, we stress the COFF support in the preparation of the FID - Ficha de Informação de Depositante (information sheet of depositor), that is now part of the process of opening an account, and in the preparation of the exclusion information sent to customers, according to the legislation in force, that have their accounts/deposits excluded from protection of FGD.

- Preliminary assessment of the impact due to the changes introduced by Regulation 679/2016 concerning data protection.

- Launch of initiative to update data on practices of money laundering and terrorist financing with our correspondent banks, as a way to mitigate reputational or risk to the Bank, ensuring that business partners comply with the standards defined internationally.

- Continued the review and update of the programmes and training content on issues of Compliance, inserted in the project Millennium Banking Academy. To emphasize the development of the module on "Sanctions".

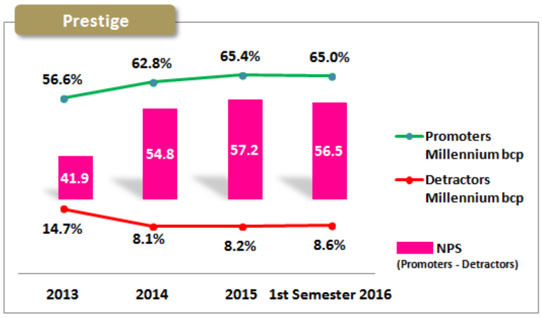
Quality Service

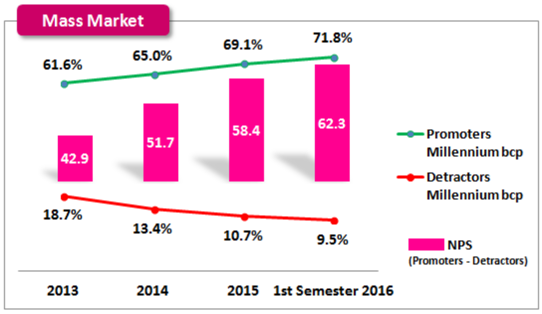
- Millennium bcp continues to bet on the evaluation model of customer experiences. 24 hours after interaction with the Bank, the Client is asked to answer a short questionnaire that is intended to gauge their satisfaction with the experience and the grade of recommendation with the Bank.

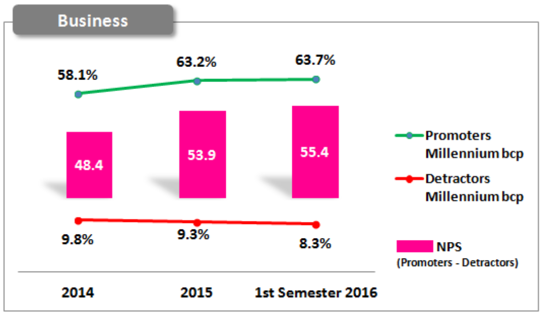
  In the first semester of 2016, the NPS (Net Promoter Score) - percentage difference between Clients Promoters (which assess 8 or 9 on a scale of 0 to 9) and the percentage of Clients Detractors (who evaluate between 0 and 5, on the same scale) - Millennium bcp, in the case of the Prestige Clients, went down slightly in relation to the year of 2015, to 56.5 points, -0.7 points than in the previous year, following a small reduction of the Clients Promoters rate, from 65.4% to 65%, and the slight increase in the percentage of Clients Detractors, of 8.2% to 8.6%.

  To the Mass Market Clients, the percentage of Promoters climbed 2.7%, of 69,1% to 71.8%, and the percentage of Detractors went down - 1.2%, to 9.5%, which resulted in a rise in Millennium bcp NPS from 58.4 to 62.3 (+3.9 points).

  Also for Business customers of Retail network, NPS Millennium bcp had a positive evolution compared to 2015, reaching 55.4 in the 1st semester of 2016. Such was due primarily to the decline in the percentage of Detractors, which reduced 1% compared with the previous year, to 8.3%.







- It was also developed another action "Mystery Client", with 579 visits to Mass Market branches, assessing a scenario of "account opening". With regard to vacancies held in 2015 on the same subject, notes a stabilization of the percentage of completion of the service choreography in 82%. The positive results observed in the last positions, leave yet, however, some room for improvement, since it is intended an overall level of compliance higher than 85%.

- The “#1 na Experiência do Cliente” *(#1 in customer experience*), through behavioral training activities, utilization of technological potential and creating new service choreographies, aims to ensure the conditions that can provide customers distinctive and memorable experiences in all their interactions with Bank, reinforcing the closeness and confidence levels. It is a program based on four pillars - Process, Channels, Offer and People. In this sense, the 1st half of 2016, were given over 1,600 hours of training, involving about 2,600 employees of the branches, where were addressed and trained issues related to service techniques, sales techniques, objection management and which were transmitted principles of a new service model adapted to every branch typology.

- Millennium bcp has continued to monitor several studies carried out by external companies in order to obtain indicators that allow positioning the Bank in the sector and as regards the quality of the service provided, the image of the Bank, the products and services commercialized and the satisfaction and loyalty of Customers. One of these studies is the CSI Banking, conducted by Marktest. This is a bi-annual study which allows the comparison between banks in dimensions as the "Image", "Communication", "Quality of Products and Services", "Competitiveness" and "Expectations", which, in aggregate, resulting in customer satisfaction index (Customer Satisfaction Index). In the first half of 2016, there was an alignment between the major banks operating in Portugal. Four of the five largest banks have obtained values between 73.4 and 74.3 (0.7 points separate these 4 banks, including Millennium bcp).

- In the case of BFin is a study conducted by DataE and dedicated to the characterization of the banking sector in Portugal, from the perspective of companies, for products and services that offer by Banks. In the study of 2016, Millennium bcp appears again as the Bank most used by companies as their main Bank, despite a slight descent. In this study, the Millennium bcp is leader (among the 5 largest banks) in the "Appropriateness of the Products", on "Innovation", "Efficiency" and "Proximity". It is also considered the best overall Bank for companies.
- Concerning safety, the Bank has continued its work in the communication of content to its Customers, alerting fundamentally for operations in remote channels and self-banking, with highlight to: i) Security Newsletter, issued quarterly which addressed issues related to the safe use of the internet and of millenniumbcp.pt site; ii) the millenniumbcp.pt site has an area dedicated to the safe use of the internet and remote channels; and iii) Online Security Forum of APB - collaboration with the Portuguese Association of Banks, in the publication of regular content to inform customers of security issues, in particular to the Internet and Mobile Banking.

PROXIMITY AND REPORTING

- Was produced - and is in the process of publication -, the 2015 Sustainability Report, document that allows obtaining an integrated view of BCP Group performance in the economic, social and environmental dimensions, but also a summary on each of its operations, namely Angola, Mozambique, Poland, Portugal and Switzerland.
- It was also published the 2015 Sustainability Report of Bank Millennium, in this case with detail information concerning the operation in Poland.
- Millennium bcp, in addition to periodically reporting public information included in Sustainability perimeter, responds to external and independent entities, through the filling in specific questionnaires about this matter. Collaboration in the report has not only allowed a comparison of performance between companies, but also the integration in sustainability indexes.
- In the first half of 2016 the Bank integrated the indexes: “FTSE4Good” (FTSE Russell), keeping still in the indexes/ statutes "Ethibel Excellence Europe" and "Ethibel EXCELLENCE Investment Register" (Vigeo), in the "STOXX Europe Sustainability" and "EURO STOXX Sustainability” (Sustainalytics), and yet in the “Global Developed ESG best in class – Equity” (ECPI).
- BCP Group joined yet, for the second time in a row, "The Sustainability Yearbook - 2016", published annually by reference analyst "RobecoSAM" based on the information collected in response to "Dow Jones Sustainability Indices" and that this edition has identified the 464 most sustainable companies in the world.
- In the context of continuous communication flow directed to different target audiences on topics and sustainability initiatives, remained the systematic dissemination of informative content, with special focus on diversity and frequency of publications:
  - External communication, through the regular update of the institutional site, Sustainability area, and communications made on social networks, Facebook and YouTube.
  - Internal communication, through corporate channels of the Bank.

MOTIVATION AND TRAINING

- On January 25th, 2016, Millennium bcp launched its corporate school, certified by DGERT as training provider. The Millennium Banking Academy (MBA) started with 51 internal certified trainers, a total of 15 training rooms in Lisbon and Oporto and training paths managed using a specialized computer platform, allowing Millennium bcp to assert itself as the great banking school in Portugal.

  Alongside the training paths by function in Retail, which includes banking technical training and business skills for Managers Prestige and Business, the MBA also started training associated with the quality program in Retail, designated "#1 Customer Experience", with the objective of further raise the standards of service quality, customer service and sales in the mass market segment.

Overall, in the first half of 2016, the MBA produced 16,704 hours of classroom training and 24,554 hours of distance training.

- Under the Parenting Protection Program started in 2015, we conducted a survey to assess employee satisfaction with the various initiatives developed in this area and the support received by the hierarchy. The replies received are overall very positive.

PRODUCTS AND SERVICES

- Credit cards issued by Millennium bcp - Visa/MasterCard and the Membership Rewards Program from American Express - have continued to encourage the social support, through loyalty programs, which allow the Clients to swing the card points in donations to charities Institutions, as *Cáritas Portuguesa*, *Liga Portuguesa Contra o Cancro*, Unicef, *Casa do Gaiato*, *Acreditar*, *Ajuda de Berço*, *Cerci* and AMI. In the first semester of 2016, were donated 12,500 points.

- Materializing cultural commitment of the Bank, the credit cards issued by Millennium bcp continue to allow their holders enjoy the partnership established with NOS Cinemas, with the offer of a movie ticket with the purchase of the first ticket at regular price.
- Meeting the needs of Investors who consider relevant contemplate in their investments, social and environmental risk factors, Millennium bcp has maintained available for subscription the social responsible investment funds (SRI), through the online platform of Millennium bcp and ActivoBank.
- In order to continue to support Customers in financial difficulties and avoid non-compliance continued promotion of the Financial Monitoring Service (FMS). Under the FMS packages, were performed 11,028 contractual changes (3,300 home loans and 7,728 consumer credit), totaling a value of restructuring of 231 million Euros (194 in home loans and 37 in consumer credit), with predominance of the introduction of grace periods and extension of term.
- In order to reduce the enabling factors of social exclusion, Millennium bcp was one of the first banks to voluntarily provide the current account - Account Banking Minimum Services - which, without associated costs, can be moved through a debit card and home banking services. In the 1st half of 2016, 328 accounts were opened, being the cumulative total now of 4,385 accounts.
- Within the entities that comprise the social sector, Millennium bcp has maintained available an Account to non-profit Associations, a checking account with special conditions, which does not require a minimum of openness and free maintenance committees and discovered. During the first semester were opened 293 accounts in these conditions, which correspond to a total of 3,400 accounts in wallet at the Bank.
- Within the protocol signed with the Institute of Employment and Professional Training and with mutual guarantee societies, continued support investment projects of creation of enterprises by unemployed with favorable financing conditions through specific lines of Credit - i) Microinvest - 32 entrepreneurs, totaling 372 thousand Euros; and ii) Invest+ - 20 entrepreneurs, totaling 809 thousand Euros.
- A protocol was signed between Millennium bcp, the Institute of Employment and Professional Training, António Sergio Cooperative for the Social Economy and Mutual Guarantee Societies, which defines a line of credit – Social Invest – in order to support Social Economy. In the first semester of 2016, the Bank held a portfolio of 10 operations, with a total value of 572 thousand Euros credit.
- In the context of support to agriculture and fisheries, remained the availability of funding under the protocol concluded with the Institute of Funding Agriculture and Fisheries, through credit lines – PRODER/ PROMAR and IFAP Short-run -. Were achieved 83 operations, with a value of funded more than 4,887 thousand Euros.
- Under the Protocol signed between Millennium bcp and the Turismo de Portugal, kept the line of credit that allows companies to invest in refurbishment projects of tourist complexes and

creation of new enterprises, catering establishments and animation activities. 4 transactions were financed, totaling 3,954 thousand Euros.

- Under the protocols concluded with IAPMEI, the PME Investimentos (managing Entity of the line) and mutual guarantee societies, to support investment projects or increased working capital, remained the line PME Crescimento. 1,180 operations were financed, with total lending of more than 130,218 thousand Euros.
- Continued financing line – INVESTE QREN - under the protocol signed with the Portuguese State through the Financial Institute for Regional Development and mutual guarantee societies, for, in the context of the current economic climate, support companies in access to bank credit, to bridge cash-flow needs and to implement the respective investment projects. Were financed operations with a global accumulated amount value which is currently around 2,7 million Euros.
- The Contact Centre, channel with great accessibility and proximity to customers as part of their daily banking relationship, allows, by dial-up, customers to access to a wide range of banking services in extended hours 24 hours, 365 days in the year. The foreign community residing in Portugal has at its disposal the services in English and Spanish. In order to monitor continuously the quality of the service provided was also implemented a survey at the end of telephone interactions and the results allow to establish process improvements and training actions for the themes that are, at every moment, critical. In the 1st half of 2016, the NPS indicator (Net Promoter Score) remained at 91 points.

Microcredit

- In 2016, Millennium bcp continues to strengthen its commitment to microfinance activity. The current economic context continues to be understood by the Bank as an opportunity to support all those who have an entrepreneurial spirit and a viable business idea, encouraging them, encouraging them, through this solution, to create their own job.

  In this context, the main strategic priorities of Microcredit were based in the dissemination of this financing model, part of the social responsibility policy of the Bank and entrepreneurship promotion in different regions of the country, in order to strengthen the reference position and leadership of Millennium bcp in this area.

  To this end, various initiatives were undertaken with the city councils, parish councils, universities, schools and other entities of expertise located closer to the target population, which linked with the Bank's Retail network, allowed generate synergies of action. Highlights:

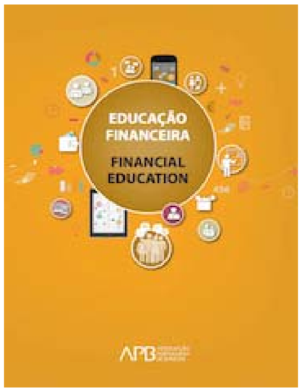
  - Protocol with the Municipalities of Sertã, Aljustrel, Beja, Almodôvar, Reguengos de Monsaraz and Salvaterra de Magos;
  - Participation, as speakers on Microfinance, in the Master in Social and Solidarity Economy of ISCTE, in the Migrant Entrepreneurs meeting of the High Commissioner for Migration and several workshops on "entrepreneurship and microcredit", particularly in the Oporto, Penafiel, Coimbra, Lisbon, Ericeira, Almodôvar and Funchal;
  - Participation in the Exchange Entrepreneurship promoted by the European Commission Representation in Portugal, in the first Torres Novas Entrepreneurship Fairs, Peso da Régua, Funchal and the VIII edition of the INVISTA - Fair Employment, Training and Entrepreneurship in Paredes.

Share and promote awareness

- Within the management of computer equipment and office furniture in conditions of reuse, Millennium bcp has given continuity to the donation policy of this material to nonprofit entities. In the 1st semester of 2016 were delivered 1,678 pieces to 31 institutions.
- The event "Portugal Restaurant Week", again with the participation of Millennium bcp, allowed assigning a financial support to charities, *Acreditar* and *Associação Corações com Coroa*. With a donation of one euro for each Restaurant Week menu consumed, the total value reached about 30,000 Euros.

- Millennium bcp has renewed, in 2016 edition and for the third time in a row, the adherence to Movimento ECO - Companies Against Fires, a project from civil society that aims to contribute to the prevention of forest fires and raise public awareness to risk behaviors.

- In the Culture, highlighting the *Festival ao Largo*, annual initiative that presents onstage at São Carlos Square a variety of shows with the best of symphonic music, opera and ballet. This action aims to bring art to increasingly wider audiences, thus contributing to the cultural enrichment of the country.
- Millennium bcp has, during defined periods, a space available to private institutions of social solidarity at Tagus Park (Bank central buildings) for collecting funds and disclosure of the work developed. In the first half of 2016, are example of this practice the *APAM - Associação Portuguesa de Apoio à Mulher com Cancro da Mama* and *CERCI de Oeiras – Pirilampo Mágico 2016*.
- Within financial management, Millennium bcp has contributed to increase the levels of financial knowledge and adoption of adequate banking behaviors, helping in the management of the family budget:
  - It remained the promotion, in the institutional site, of the instruments – *Centro de Poupanças* (Savings Center), *Gestor de Finanças* (Finance Manager) and *Kit Despesas Imprevistas* (Unforeseen Costs Kit), although distinct and independent have the common goal of supporting Customers in the management of its budgets. In the area of the site, M Videos, it is also possible to find tutorials and suggestions for savings;
  - The Facebook page – Mais Millennium – continued to share contents related to financial planning;
  - Participation in the Working Group of the APB - Associação Portuguesa de Bancos (Portuguese Association of Banks), which represents several financial institutions and the *Instituto de Formação Bancária* (Banking Training Institute), and whose mission is to develop and support initiatives aimed at promoting financial education of citizens. Example of the activity in 2016 was the realization of the "European Money Week" (EMW), an initiative of the European Banking Federation (EBF) which had the participation of 21 countries and that APB have organized in Portugal during March.



  - It should be noted, also, the launch of a publication of APB on financial literacy, which, with the participation of Millennium bcp, aims to contribute to raising public awareness on this issue.

VOLUNTEER ACTIONS

- Continued collaboration with the Junior Achievement Portugal, in the development of its programmes aimed at entrepreneurship, risk-taking, creativity and innovation through: i) exclusive sponsorship of the Fundação Millennium bcp to StartUp Programme (8th Edition), aimed at University students; and ii) of Millennium bcp, in support of programmes for basic and secondary education.
- In the school year 2015/2016, 55 volunteers of Millennium bcp accompanied more than 1,360 students in various programs of Junior Achievement Portugal, in a total of 666 hours of volunteering.
- Continued the voluntary action which involves the participation of Employees and their families in the regular campaigns to collect food from the *BA - Banco Alimentar* (FB - Food Bank). Together, about 100 Volunteers, among employees, families and friends, gave, in May 2016, their solidarity contribution in 10 (of 21) FB warehouses at national level, helping the weighing process, separation and packaging of donated goods.

PARTNERSHIPS

- The Bank has remained close to the Universities, creating conditions for realization of traineeships. During the first semester, 30 students had the opportunity to put into practice the knowledge acquired through the realization of a curricular internship, each trainee was accompanied by an experienced tutor that tutored and guided in their learning process.
- Also the 40 summer internships that Millennium bcp will provide on the second half fall in the strategy of articulation of academic life with professional life, stimulating the acquisition of important knowledge for future professional life of students, regardless of which path they will chose to go.
- The Bank promoted during the 1st semester of 2016 the realization of 110 traineeships, seeking to provide in this contact with working life an opportunity of professional and personal appreciation of these young people that can be distinctive and strengthen their employability.

FUNDAÇÃO MILLENNIUM BCP

The Millennium bcp Foundation supports initiatives of cultural, scientific and social interest, which, under the patronage and institutional social responsibility, are in line with the values of Millennium bcp and, simultaneously, meet some of the major needs identified in these three areas, in Portugal and in other countries where the Millennium bcp develops its activity.

Until June 2016, the Foundation gave support to several projects, among which stand out, in the field of Culture - Foundation-main vocation -, in particular conservation and disclosure of the assets of the Bank, the following:

- Maintenance of the Núcleo Arqueológico da Rua dos Correeiros (NARC) and management of guided tours, which received in this period 6,289 visitors;
- Exhibitions in the Millennium Gallery, where were presented "Esconjurações na Coleção Millennium bcp e noutras obras de José de Guimarães ", with 5,833 visitors, and "Palavra de Sardinha", opened on 6th of June, which already has 2,521 visits.

On promotion of museological activities, heritage and other cultural initiatives

- *Palácio Nacional da Ajuda* – renovation of the graphic identity and signage;
- *Museu Nacional de Arte Antiga* (MNAA) – supporting exhibits and other museum initiatives aimed at sharing of art, including the reopening of the wing of Portuguese painting and sculpture;
- *Museu Nacional do Azulejo* - support for multimedia project of D. Manuel room;
- *Museu Nacional dos Coches* – recovery/ restoration of coaches and support for 300 years *Embaixada D. João V;*
- *Museu Nacional de Arte Contemporânea – Museu do Chiado (MNAC) - support for exhibitions;*
- *Museu Regional de Beja* – support to various initiatives, such as the acquisition of computer services for creating interactive website for dissemination of museum collections;
- *Fundação Cupertino de Miranda* - support for the educational service of the Museum Paper Currency, with the realization of an animated film aimed at students of 1st and 2nd cycle;

- *Fundação Arpad Szenes Vieira da Silva* - support for the project "Faz Futuro" and Party Vieira da Silva;
- *Basílica da Estrela* - support for the restoration of the *Altar do Santíssimo* monumental blessed images;;
- World Monuments Fund Portugal (Associação) - conservation of the vaults of the Church from *Mosteiro dos Jerónimos*;
- *Palácio Nacional de Mafra* - conservation and

restoration of the palace;

- *Direção Regional de Cultura do Algarve* - restoration of the castle of Paderne (Albufeira);
- Spira - International Conference on Heritage Education, held within the framework of the 1st Edition of the Festival APROXIMA-TE!;
- *Isto não é um Cachimbo (Associação)* - Map of the Contemporary Arts in Lisbon;
- *Trienal de Arquitetura de Lisboa* - Début Prize Lisbon Triennale Millennium bcp 2016 and membership of the Open House initiative, with the opening of the building of the Millennium bcp on Rua Augusta the guided tours;
- *Pintor* Manuel Amado - support for the exhibition catalog of the works of the artist in the Museum Casa das Histórias Paula Rego, in Cascais;
- *Acesso Cultura* – project "Relaxed Sessions" - shows adapted, with sound and light, to people with autism, epilepsy or intellectual disabilities;
- Fundação da Juventude - support "Martelinhos de S. João'16" contest.

In the field of Education and Scientific Research, refers, for example, the following initiatives:

- Universidade Católica Portuguesa – Faculdade de Ciências Económicas e Empresariais – Lisbon MBA scholarships;
- Universidade Católica Portuguesa – Instituto de Estudos Políticos – support the Chair of studies in European Law;
- Instituto de Direito Bancário, da Bolsa e dos Seguros (BBS): support for postgraduate courses in Banking Law, in collaboration with the Faculdade de Direito da Universidade de Coimbra;
- Instituto de Cooperação Jurídica – Faculdade Eduardo Mondlane, Mozambique: College-masters degree in Legal and Political Sciences;
- Centro de Astrofísica da Universidade do Porto –Astrocamp 2016, summer academic programme;
- Instituto Camões – Award for best Portuguese-speaking student 2016;
- Instituto de Ciências Biomédicas Abel Salazar - Universidade do Porto - I Symposium of Diabesity and Fertility;
- Associação de Estudos Europeus de Coimbra - Seminar "Papel do Direito nos Desafios Globais".

Within the framework of Social Solidarity, the Foundation has supported to date, actions from different entities, as:

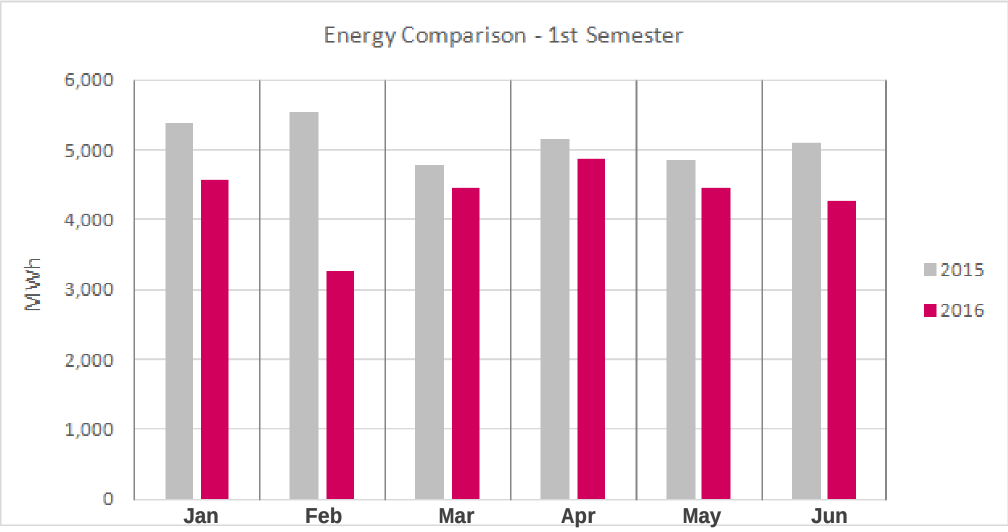
- Associação BUS - Bens de Utilidade Social – supporting the development of activities;
- APSA - Associação Portuguesa de Síndrome de Asperger - Employment program for people with asperger's syndrome;;
- Associação de Apoio aos Deficientes Visuais Distrito Braga – supporting activities;
- Associação Portuguesa de Fundraising - Certification training in Fundraising - third sector capacity building;
- Candeia - Associação para a Animação de Crianças e Jovens - support for realization of summer camp in 2016;
- Cid Senior Movimento para a Cidadania Sénior – support to the activities;
- EAPN Portugal - Rede Europeia Anti-Pobreza - Study Programme to combat child poverty;
- Fundação Irene Rolo - projet Toca a Mexer - purchase materials for promotion of physical activity adapted to people with disabilities;
- Karingana Wa Karingana – national campaign to collect school supplies for distribution to families in need;

- Instituto de Estudos Orientais da Universidade Católica - Support Portuguese Manual Project for Syrian Refugees.

ENVIRONMENTAL PERFORMANCE

- Under the consumption reduction program in Portugal, we highlight the good overall energy behaviour in the first half of 2016 in terms of optimization of energy consumption levels in the Bank's premises - in line with in recent years - at the level of the central buildings or at the branches.

  This improvement is expressed in a significant decrease of 16% of the overall energy consumption compared with the same period of 2015 (the annual reduction proposed to 2016 is 3%), which corresponds to a decrease of 4.94 GWh in electricity consumption and about 1,930 tons of CO_2 avoided.



  This reduction, tangible result of a process of improvement that we have been consolidating in recent years, is based on a strategy focused on sustainability and on the proper management of the resources available, but also the materialization of energy efficiency policies, such as some actions underway or planned:

  - Replacement of fluorescent lighting by LED technology in various facilities (e.g. building *Rua Augusta*);
  - Monitoring of consumption as a way to define a stricter energy policy on the basis of specific profiles.

  We should stress, without prejudice to the monitoring of energy efficiency ensured in continuous, that the decrease of consumption has won a major importance in this period as a result of an internal adjustment to the level of asset management, an initiative that allowed capture very substantial energy efficiency gains.

- There was also continuity to the internal communications campaign - Consumption Reduction / Environmental Signs -. This initiative, which includes the consumptions of electricity, water and paper, aims to contribute to the optimization of the Bank's operating costs, improve their environmental performance and increase the identification of Employees with the Organization, through the encouragement of behavioural practices which make it possible to rationalize its use.

- Continued the program - Green IT -, pivoted by the IT Division, which includes a set of actions aimed at the identification of measures and solutions which result in technological and environmental gains. It was in this framework that has been consolidated the use of webcasting tools and significantly reduced the number of local impressions (-11.5% in 2016), results that have allowed to pursue a culture of sustainable habits in strict measure of functional needs, reducing costs and waste and optimizing consumption.

- Under the technological projects, highlight is the "GO P@perless"- betting on dematerialization of the operations as a way to innovate and optimize the processes (e.g. account opening, term deposits, credit cards) using production solutions and electronic signature of documents - and for the application changes that allowed its extension to new business processes.
- Thus, during the 1st half, they were spared 1.6 million impressions, which correspond to a decrease of 6% of the impressions made in the branches equipment when compared to the figure recorded in the same period 2015.
- The strategy to the promotion of adherence to documents in digital format - Combined Statement and other business documents – remains as one of the priorities of the Bank with the Customers.
- Millennium bcp continues thus to contribute to the reduction of the use and circulation of paper, making regular communication/information actions about the benefits of dematerialization of documents at the same time that streamlines and runs programs of migration to digital solutions.
- At present, about 40% of bank customers in Portugal use digital formats already for the reception of the documentation.

BCP SHARES

The first half of 2016 was marked by an unexpected divergence in the performance of the European and US stock exchanges, the latter showing a greater resilience economic to the shocks that affected the period, starting with the slowdown of the Chinese economy at the beginning of the year and ending with the impact of the Brexit at the end of June.

With economic growth almost stalled, the exchange rate component became predominant in the direction of the stock market, with exporters benefitting from a depreciation of the local currency in order to offset the fall in volumes. The successive postponement of the rise in interest rates in the US by the Fed resulted in appreciation of the EUR/USD exchange rate (+1.9%), unfavourable for European companies.

The Footsie 100 index rose more than 4% driven by the Natural Resources sector (+18.2%), followed by the export sector after the depreciation of the pound (-13.5% against the Euro). At European level, the banking sector (-31.3%), automotive (-25%) and travel and leisure (-19.3%) end up leading the sectorial losses. The Euro Stoxx 600 Banks index devaluated 31% YTD, on one end due to the worsening economic growth prospects and long-term maintenance of interest rates at historic lows and on the other related to the concern with the high amount of bad loans in banks in southern Europe.

BCP Shares indicators

	Units	1H16	1H15
Adjusted prices			
Maximum price	(€)	0.0500	0.0959
Average price of the semester	(€)	0.0344	0.0820
Minimum price	(€)	0.0175	0.0618
Closing price	(€)	0.0182	0.0780
Shares and equity			
Number of ordinary shares	(M)	59,039	59,039
Shareholder's Equity attributable to the group	(M€)	4,159	4,625
Shareholder's Equity attributable to ordinary shares (1)	(M€)	4,099	4,454
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	-0.007	0.008
Book value	(€)	0.070	0.077
Market indicators			
Closing price to book value	(PBV)	0.26	1.01
Market capitalisation (closing price)	(M€)	1,075	4,605
Liquidity			
Turnover	(M€)	1,718	2,638
Average daily turnover	(M€)	13.5	21.1
Volume	(M)	51,959	32,632
Average daily volume	(M)	409.1	261.1
Capital rotation (4)	(%)	88.0	59.7

(1) Shareholder's Equity attributable to the group - Preferred shares.
(2) Considering the average number of shares minus the number of treasury shares in portfolio.
(3) Adjusted net income considers the net income for the year minus the dividends of the preferred shares and Subordinated Perpetual Securities issued in 2009.
(4) Total number of shares traded divided by the year average number of shares issued.

BCP shares closed the 1st half with a devaluation of 63%, compared with a decline of 31% of the index of European banks with devaluations of 28% and 48% respectively of Spanish and Italians banks[†]. The evolution of BCP share in the 1st half was marked by three phases.

Since the beginning of the year until the beginning of May the BCP share traded in line with the index of European banks, with a generalized correction movement in place for the banks in southern Europe:

- On the one hand due to the worsening economic growth prospects and long-term maintenance of interest rates at historic lows;
- On the other related to the concern with the high amount of bad loans in banks in southern Europe;

This period was marked by some specific issues affecting the BCP as:

- The impact of the NovoBanco capitalization solution and the resolution of BANIF on the image of Portugal;
- Continuation of the uncertainty about the final solution for the conversion of loans in Swiss francs in Poland;
- Proposal for a capital increase with the suppression of the preference right brought to General Meeting, with the market incorporating the associated dilution price effect.

Since the beginning of May until the Brexit, BCP share has underperformed the index of European banks, reflecting:

- Exit from the MSCI indices;
- Concern of investors with the bank's level of capital as a result of any consequences of a "bad bank" in Portugal, the possible consequences resulting from NovoBanco acquisition analysis and even for some cross reading that the market made on the news on significant capital increases in CGD and Banco Popular Espanol.

After the Brexit and by the end of June, European banks fell more than the BCP share:

- Uncertainty translates into a downward revision of the macroeconomic outlook, greater volatility and risk aversion penalizing the periphery.

LIQUIDITY

During the first half of 2016, the BCP share was the most traded security in the domestic market and in the domestic financial sector. Around 51,959 million shares were traded during this period of time, corresponding to a daily average volume of 409 million shares. The capital rotation index stood at 88% of the six-month average number of shares issued.

[†] Weighted average by assets for banks with market capitalization above 1 billion Euros and total assets above 30 billion Euros.

INDEXES OF WHICH THE BCP' SHARES ARE LISTED

The BCP share is listed on more than 50 domestic and international stock exchange indexes among which we point out the Euronext PSI Financial, PSI 20, Euronext 150, NYSE Euronext Iberian and Euro Stoxx Banks.

Indexes	Weight
Next 150	0.53%
Iberian Index	0.34%
PSI 20	5.88%
PSI Geral	2.26%
PSI Serviços Financeiros	36.54%

Source: Euronext.

Moreover, by the end of the first half of 2016, apart from these indexes, Millennium bcp has also integrated the following sustainability indexes: Ethibel Excellence Europe, Ethibel EXCELLENCE Investment Register, STOXX Europe Sustainability, EURO STOXX Sustainability and FTSE4Goog.

Sustainability Indices

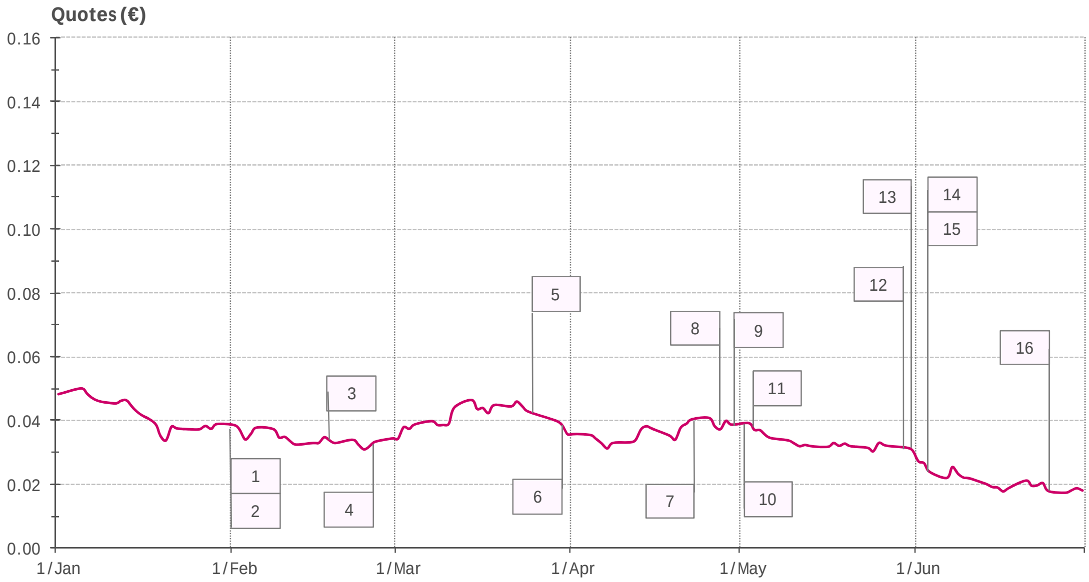
RELEVANT FACTS AND IMPACT ON THE SHARE'S PRICE

The following table summarizes the relevant facts directly related with Banco Comercial Português which occurred during the first six months of 2016, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference indexes during the mentioned periods of time.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. DJS Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs DJS Banks (5D)
1	1/Feb	Bank Millennium Poland results in 2015	-3.6%	-1.6%	0.4%	-3.4%	2.8%	6.9%
2	1/Feb	2015 Consolidated Earnings	-3.6%	-1.6%	0.4%	-3.4%	2.8%	6.9%
3	16/Feb	Tender offer invitation for the purchase of notes	5.5%	2.4%	2.1%	-1.5%	-2.4%	-1.6%
4	24/Feb	Results of the tender offer invitation for the purchase of notes	3.2%	1.7%	-0.3%	22.3%	16.7%	9.9%
5	23/Mar	Evaluation of strategic scenarios for ActivoBank	-3.6%	-2.5%	-1.4%	-13.1%	-12.5%	-10.8%
6	28/Mar	Call notice for Annual General Meeting	-3.3%	-4.8%	-3.8%	-14.0%	-10.6%	-8.3%
7	21/Apr	Resolutions of the Annual General Meeting	3.6%	3.3%	3.3%	2.3%	1.9%	1.5%
8	25/Apr	Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-6.4%	-5.6%	-8.9%	-3.9%	-4.3%	-2.3%
9	27/Apr	Norges Bank informs about qualified shareholding	7.0%	5.9%	6.7%	-0.8%	0.0%	7.8%
10	29/Apr	Bank Millennium Poland results 1Q2016	1.3%	0.6%	2.0%	-10.9%	-9.6%	-4.3%
11	2/May	Consolidated Earnings in 1Q2016	-5.4%	-3.7%	-1.7%	-13.8%	-11.0%	-7.4%
12	27/May	Report and Accounts for the 1st quarter of 2016	-1.6%	-1.9%	-1.7%	-25.0%	-21.3%	-19.7%
13	31/May	Index MCSI revision	-10.8%	-8.6%	-9.1%	-16.7%	-14.6%	-13.9%
14	3/Jun	Conclusion of the evaluation of strategic scenarios for ActivoBank	-7.9%	-8.1%	-7.9%	-8.3%	-6.8%	-3.5%
15	3/Jun	Blackrock informs about changes in the qualified shareholding	-7.9%	-8.1%	-7.9%	-8.3%	-6.8%	-3.5%
16	23/Jun	Norges Bank informs about changes in the qualified shareholding	-12.2%	-5.2%	2.3%	-11.2%	-6.2%	5.6%

The performance of the BCP share during the period under reference is shown in the following graphic:

PERFORMANCE ON BCP SHARE IN THE FIRST HALF OF 2016



Dividend Policy

In accordance with the conditions for the issue of Core Tier I Capital Instruments subscribed by the State, as per the requirements of Law 63-A/2008 and the Ordinance 150-A/2012, the Bank is not allowed to distribute dividends while the issue is not totally reimbursed.

In accordance with the information provided in the share capital increase operation completed in July 2014, the Bank intends to meet the conditions to anticipate the return to normality, at which time the bank will be able to pay out dividends.

Follow-up of investors and analysts

The BCP share is analysed by the main domestic and international investment companies which, regularly, issue investment recommendations and price targets on the Bank. At the end of the first half-year of 2016, there were 3 buy recommendations, 5 neutral and 2 for sale. The average price target was Eur 0.05.

During the first six months of 2016, the Bank participated in several events namely in 7 conferences and 2 road shows in Europe and in the USA where it made institutional presentations and held one-to-one meetings with investors. More than 150 meetings were held with analysts and international investors, a fact that evidences that there is still a significant interest on the Bank.

Treasury Shares

Treasury stock refers to own securities held by the companies included in the consolidation perimeter. These securities are held within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

As at 30 June 2016, Banco Comercial Português, S.A. does not held treasury stocks and does not performed any purchases or sales of own shares during the period. However, this balance includes 201,682,429 shares (31 December 2015: 24,280,365 shares) owned by clients. Considering the fact that for these clients there is evidence of impairment, under the IAS 39, the shares of the Bank owned by these clients were, in accordance with this standard, considered as treasury stock, and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock owned by associated companies listed in note 57, as at 30 June 2016, the Millenniumbcp Ageas Group owned 652,087,518 BCP shares (31 December 2015: 652,087,518 shares) in the amount of Euros 11,868,000 (31 December 2015: Euros 31,822,000).

Shareholder Structure

According to Interbolsa, on 30 June 2016, the number of Shareholders of Banco Comercial Português was of 194,534. The Bank's shareholding structure remains widely spread, with only four shareholders with qualified shareholdings (above 2% of the share capital) and only two shareholders holding more than 5%.

Shareholder structure	Number of Shareholders	% of share capital
Individual Shareholders		
Group Employees	3,245	0.48%
Other	186,118	44.21%
Companies		
Institutional	366	23.90%
Other and Qualified Shareholders	4,805	31.41%
Total	**194,534**	**100.00%**

Shareholders with over 5 million shares represented 61% of the share capital, and the percentage of Portuguese shareholders increased slightly in the first six months of 2016.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	640	61.49%
500,000 to 4,999,999	10,706	21.01%
50,000 to 499,999	55,920	15.18%
5,000 to 49,999	64,523	2.16%
< 5,000	62,745	0.16%
Total	**194,534**	**100%**

Regarding the geographical distribution, one must underline that Shareholders in Portugal weighed in at 60% of the total number of shareholders as at 30 June 2016.

	Nr. of Shareholders (%)
Portugal	60.0%
Africa	18.2%
UK / USA	4.5%
Other	17.3%
Total	**100%**

QUALIFIED HOLDINGS

As at 30 June 2016, the following Shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

			30 June 2016
Shareholder	**Nr. of shares**	**% of share capital**	**% of voting rights**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	10,534,115,358	17.84%	17.84%
Total of Sonangol Group	**10,534,115,358**	**17.84%**	**17.84%**
Bansabadell Holding, SL, fully owned by Banco de Sabadell, S.A. *	2,644,643,445	4.48%	4.48%
Banco de Sabadell, S.A., directly	350,219,968	0.59%	0.59%
Total of Sabadell Group	**2,994,863,413**	**5.07%**	**5.07%**
EDP -Imobiliária e Participações, S.A, fully owned by EDP - Energias de Portugal, S.A. *	1,087,268,954	1.84%	1.84%
EDP Pensions Fund **	395,971,872	0.67%	0.67%
Voting rights held by the members of the management and supervisory bodies	30,475,863	0.05%	0.05%
Total of EDP Group	**1,513,716,689**	**2.56%**	**2.56%**
Interoceânico - Capital, SGPS, S.A., directly	1,199,549,296	2.03%	2.03%
Voting rights held by the members of the management and supervisory bodies	8,110,204	0.01%	0.01%
Total of Interoceânico Group	**1,207,659,500**	**2.05%**	**2.05%**
Total of Qualified Shareholders	**16,250,354,960**	**27.52%**	**27.52%**

* Allocation in accordance with subparagraph b) of paragraph 1 Art. 20 of the Portuguese Securities Code.

** Allocation in accordance with subparagraph f) of paragraph 1 Art. 20 of the Portuguese Securities Code.

The voting rights referred to above are the result of the direct and indirect stakes of Shareholders in the share capital of Banco Comercial Português. No other imputation of voting rights foreseen in article 20 of the Securities Code was communicated or calculated.

ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) estimates that the world economy will continue to record modest growth levels in 2016 (3.1%) due to a persistent slowdown in emerging countries, the moderation of activity in developed economies and the instability of financial markets. To these factors accrue risks of non-economic nature, namely those related with the existence of several tense geopolitical disputes, which can negatively affect the performance of the global economy.

After a year start marked by high volatility in the financial markets, the global economic context has since been stabilizing mainly due to an increase in the oil price together with an improvement in the economic indicators of some of the most important emerging economies, including China. Following this more favorable scenario, the ECB decided not to make any changes to the monetary policy stance defined earlier in March despite the risk of an inflation level persistently below 2%. In the US, the evolution of the economy was not positive enough for the Federal Reserve to resume with its policy of normalizing interest rates.

With the exception of the days that followed the referendum on UK's permanence in the European Union (EU) in late June, the levels of volatility in financial markets decreased when compared to the more extreme values witnessed in the first two months of 2016, which has translated into an appreciation of the main world stock indexes, particularly in the US. Despite the notorious improvement in investors' confidence, the yields on the government debt of low-risk countries, such as Germany or the US, dropped to even lower levels, and precious metals continued to appreciate. Such developments can be mainly explained by expectations of a prolonged accommodative global monetary policy stance. Regarding the euro interbank monetary market, the existence of ample liquidity and negative yields in the safest European government bonds pressured Euribor rates down.

According to Statistics Portugal, Portuguese GDP grew 0.9% in annual terms in the first quarter of 2016, which corresponds to a slight deceleration vis-à-vis the previous quarter growth of 1.3%. The slower pace in the recovery of the economic activity was the result of a slowdown of investment along with a slackening of exports. In clear contrast, private consumption accelerated from 2.3% to 2.9%, benefiting from low interest rates and energy costs, and from the restitution of civil servants salaries, as defined by the 2016 State Budget. However, since the increase in household spending exceeded the rise in disposable income, the saving rate fell to a new historical low of 3.5%. In this less dynamic context, the European Commission revised its forecast for the Portuguese economy in 2016, and now foresees a slightly lower GDP growth of 1.5%, similar to what was observed in last year. Less favourable perspectives on the evolution of economic activity and on the financial condition of banking system, together with higher volatility in the international financial markets, prompted a depreciation of the Portuguese stock index in excess of 15% in the first semester and an increase in the risk premia on both public and private sector debt.

The Polish economy grew 2.6% in annual terms in the first quarter of the year, a figure that though elevated when compared to the remainder of the EU, corresponds to a deceleration vis-à-vis the level attained in 2015 (3.6%). This resulted from the slowdown of public spending, after the set of stimulating measures taken at the end of the previous year, and also of exports. In contrast, private consumption continued to denote a strong dynamism, benefiting from the gradual improvement in the labor market, with employment reaching levels not seen since the 1990s. Despite the economic dynamism, the persistence of the inflation rate at negative levels has contributed to keep an expansionary stance on the monetary policy of the National Bank of Poland, which along the uncertainty witnessed in the international financial markets has penalized the Zloty. In Mozambique, the need for an IMF economic assistance program, triggered by the worsening of the country's public debt, calls for important measures to reinforce the country's economic and financial conditions, which might be painful in short-run growth, but should contribute to a greater robustness of the Mozambican economy over the medium run. In this context, the Metical has been depreciating, driving the Central Bank to raise interest rates. In Angola, the steady increase in inflation has required a more restrictive monetary policy, which has helped the kwanza to stabilize, after the strong decrease recorded in the beginning of the year.

Main Risks and Uncertainties

Risk	Sources of risk	Risk level	Trend	Interactions
	ENVIRONMENT			
Regulatory	▪ More demanding regulatory framework in terms of capital and liquidity requirements ▪ New regulation aimed at improving the credit profile of banks and the transparency of the information provided by banks ▪ Regular practice of conducting Stress Tests by the ECB ▪ Regulatory uncertainty associated to the Implementation of BRRD / MREL ▪ Single Supervisory Mechanism of the ECB ▪ Single Resolution Mechanism ▪ Risk of process of conversion of mortgage loans denominated in CHF ▪ Resolution measures adopted in some European countries at the end of 2015, namely in Portugal ▪ Ordinary contributions to the resolution fund, resulting from the sale of NovoBanco (NB), if sold below its book value and of Banif.	**High**	↔	▪ Comply with the minimum regulatory requirements in Pillar I (4.5%), with the additional requirements in Pillar 2, and with a set of additional capital reserves (macro-prudential reserves), namely: i) the capital conservation buffer (2.5% by 2019); ii) the countercyclical capital buffer (0% for the 1st, 2nd and 3rd quarter of 2016, revised quarterly); and iii) the buffer of other institutions of systemic importance at a domestic level (0.75% in the case of BCP, with a phase-in up to 2019). ▪ Disclosure of the LCR and NFSR and Leverage ratios that will have to exceed the regulatory minimums ▪ Instability in capital markets affecting the banks of South Europe ▪ Negative impact on the Income Statement of Bank Millennium
Sovereign	▪ Moderate upturn of the activity at an international and national level, against a background of low inflation and interest rates ▪ High indebtedness of public and private sectors ▪ Implementation of additional measures of budget consolidation ▪ Correction of the unbalances of the current and capital balance ▪ Duration of the new minority government ▪ Regular access to international funding markets post Brexit ▪ Exposure to Portuguese sovereign debt ▪ Exposure to emerging countries	**Medium-level**	↔	▪ Economic upturn in Portugal may be limited by the sluggishness of the main trading partners ▪ Potentially negative impact on profitability resulting from low interest rates in nominal terms ▪ High levels of default by companies and individuals, higher costs of funding and difficulties in accessing funding markets ▪ Need for a broad consensus for the continuation of the adjustment process of the Portuguese economy ▪ Increase in sovereign debt yields and impact on CET1
	FUNDING AND LIQUIDITY			
Access to WSF markets and funding structure	▪ Recourse to ECB funding ▪ Irregular functioning of WSF/MMI markets ▪ Alteration of ECB rules on collateral	**Medium-level**	↓	▪ Deleveraging of internal economic agents and reduction of commercial gap ▪ Increased weight of balance sheet customer deposits and funds in the funding structure ▪ Decrease of cost of funding ▪ Reduction of the use of ECB funding should result in less pressure on LT ratings ▪ Progressive replacement of the funding obtained from the ECB by funding obtained in the IMM / WSF

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Credit risk	▪ Evolution of asset quality ▪ Regularity of Stress Tests conducted by the ECB ▪ Exposure to real estate assets directly or through participation in real estate investment and restructuring funds	High	↔	▪ Moderate upturn in Portugal ▪ Evolution of disposable income / evolution of unemployment rate / company delinquency level ▪ High leveraging of companies ▪ Exposure to problematic sectors ▪ Need to reduce exposure to real estate risk / strengthen own funds (Pillar 2)
Market risk	▪ Volatility in capital markets ▪ Adverse behaviour in the real estate market	Medium-level	↔	▪ Uncertainty in markets ▪ Monetary policies of the different Central Banks ▪ Profitability of the pension fund ▪ Reduction of earnings from trading
Operating risk	▪ Inherent to the Group's activity	Medium-level	↔	▪ Simplification of processes ▪ Deterioration of controls ▪ Increased risk of fraud ▪ Business continuity
Concentration and interest rate risk	▪ Historically low interest rates ▪ High concentration in sectorial, assets class and geographic terms	Medium-level	↔	▪ Low interest rates contribute to lower default but exert pressure on profitability ▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputation, legal and compliance risk	▪ Inherent to the Group's activity ▪ Reputation risk compounded by recent BES and Banif resolutions, following problems in BPN and BPP	Medium-level	↔	▪ The negative opinion of the public or sector could adversely affect the capacity to attract Customers (in particular depositors) ▪ Possible Customer complaints ▪ Possible penalties or other unfavourable procedures arising from inspections ▪ Instability of the regulatory environment applicable to financial activity ▪ AML rules and against the financing of terrorism
Profitability	▪ Low interest rates in nominal terms ▪ More limited space to adjust spreads on term deposits in new production ▪ Regulatory pressures on fees and commissions ▪ Reinforcement of problematic assets coverage by impairments ▪ Exposure to emerging market economies, including countries specifically affected by the fall in the oil price	Medium-level	↑	▪ Negative impacts on net interest income: price effect, volume effect and overdue credit effect ▪ Need of continuing the effort of controlling operating costs ▪ Pressure to increase problematic assets coverage by impairments ▪ Limitation of the capability to generate organically capital, in a context of increasing regulatory demands of solvency ▪ Reformulation of business model and digital transformation

INFORMATION ON TRENDS

During the first six months of 2016 the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continues to show a moderate growth and the banks are operating within a context of very low interest rates, thus exercising pressure on the financial margin. Moreover, the Portuguese Banks have a significant number of non-productive assets in their balance sheets.

The 2016 and 2017 projections for the Portuguese economy of Banco de Portugal were downgraded both times to 1.3% in 2016 and 1.6% in 2017. The GDP projection for 2018 is 1.5%. It is expected that, between 2016-18, the contribution provided by net exports will increase its importance in GDP's growth. There are some risks that may compromise the increase of the GDP in Portugal, firstly the deceleration of the global economic activities conditioning the external demand from the Portuguese economy, in particular from relevant commercial partners such as Angola or Brazil. Brexit also contributes to increase the risk of an economic deceleration in Portugal. Domestic demand may also be conditioned by the need for additional budgetary measures since Portugal did not comply with the budgetary targets in 2015, within a context where the high levels of debt of the private sector may hinder investment, notwithstanding the potentially positive effects of the accommodative monetary policy practiced by the ECB.

On 29 April, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese Public debt for the ECB's extended programme for the purchase of assets depends on this credit rating.

In accordance with Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to 24.8 billion Euros in June 2016, figures which are consistent with the general trend existing since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals (+4.2% by the end of May 2016, if compared with the same period of last year). Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 2.5% and 2.3%, respectively, in May 2016, if compared with the same period in 2015. One must be aware that the loan to deposit ratio of the banking sector in Portugal stood near 103% by the end of the 1st quarter of 2016 versus 128% by the end of 2012 and 158% by the end of 2010.

The credit granted by BCP continues to decrease within a context of deleveraging of the non-financial economic sectors resulting in a lower search for credit. At the same time, deposits also continued to decrease since the bank allowed some large institutional deposits, requiring a larger remuneration to go, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its funding from the ECB. In 2016 one expects that the trends mentioned above will continue to be a fact, i.e. the credit/deposit ratio will continue to fall, together with the dependency of funding from the ECB.

The maintenance of very low money market interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend that persists in 2016, more than offsetting the lower spreads in credit. The rates of the new term deposits reached, by the end of 2015, values near 40 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

The price effect on the financial margin should continue to be globally positive, translating the improvement of the Client interests margin (differential between the credit global rate and the global rate at which the banks remunerate the deposits). Notwithstanding, the continued reduction in the credit granted (volume effect) will probably continue to condition the financial margin.

The profitability of the Portuguese banks continues to be significantly conditioned by the reduced GDP growth, low inflation rates and interest rates at historically low levels for a period of time much longer than the one initially expected; credit contraction showing the deleveraging process of the non financial private sector, slower within the current context of low interest rates, recognition of significant amounts of impairments, and, finally, a limited reduction of operating costs in the whole system. The profitability levels recorded by the banking system as of the beginning of the financial crisis continue to limit the capacity to generate capital internally.

Group BCP has a relevant exposure to Poland where exist risks related to legal changes with potential impact on the Bank's financial condition. There are still some risks connected with the economic environment experienced by some African countries, namely Angola and Mozambique, whose economic activity is decelerating and because they have also been facing a significant depreciation of their currency since the beginning of 2016.

The expected improvement in core income as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2016 results although conditioned by the economic conjuncture.

There is an increasing focus on the management of the stock of problematic assets and respective hedging levels and measures should be adopted to foster the reduction of the stock of problematic assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new NPLs so as to foster a more pro-active management of NPLs, including measures to remove the restrictions in legal, judicial and tax systems. The share capital increases recently announced by Banco Popular Español and by Popolare may mean an intention to anticipate the provisioning for problematic assets and increase hedging by impairment.

It is not yet possible to determine what is the eventual impact that the resolution of BES may have on BCP as an institution participating in the resolution fund created by Decree Law nr.31-A/2012, of 10 February (the "Resolution Fund"). BCP has an exposure of around 20% of the Resolution Fund which, in turn, has an exposure of around 4.9 billion Euros to Novo Banco (including 3.9 billion Euros financed by a State loan, plus 700 million Euros obtained by loans granted by several banks and around 300 million Euros which were already in the Resolution Fund).

The financial resources of the Resolution Fund may come from (i) contributions, initial and periodical, made by the participating institutions, (ii) from the proceeds of the contributions of the banking sector set forth by Law nr. 55-A/2010 dated 31 December and also from (iii) from the investment of resources. It may also be funded by extraordinary contributions made by the participant institutions or by loans or guarantees provided by the State.

Accordingly, the eventual impact that the BES resolution may have on BCP, as an institution participating in the Resolution Fund mentioned above, shall depend on external factors for which BCP is not responsible, including the value for which Novo Banco will be sold and the type or types for hedging the eventual financial needs of the Resolution Fund. Additionally, following a clarification of the Bank of Portugal, the possible contributions of the Resolution Fund participating banks will only be recorded when they are due and payable and the contribution to the resolution fund should be recognized as a cost only in the year that it is due and the payment occurs. Bank of Portugal further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the measure of resolution applied to BES. According to the Bank of Portugal, the possible levying of a special contribution it would appear, therefore, remote.

On 20 December 2015, the Government and Banco de Portugal resolved to sell the activity of Banif – Banco Internacional do Funchal, S.A. and of the major portion of its assets and liabilities to Banco Santander Totta, within the context of a resolution measure. This resolution measure, in accordance with the communication issued by Banco de Portugal on 20 December 2015, involves a state aid of around 2,255 million Euros to cover future contingencies, of which 489 million Euros provided by the Resolution Fund and 1,766 million Euros directly by the State.

The Directive nr. 2014/59/EU - the Bank Recovery and Resolution Directive (BRRD) - foresees a joint resolution regime in the European Union enabling the authorities to cope with the insolvency of bank institutions. The shareholders and creditors will have to internalize an important part of the costs associated with the insolvency of a bank, minimizing taxpayers' costs.

To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the directive establishes that the institutions must comply with a minimum requirement for own funds and eligible liabilities (MREL).

This new regime (MREL), to become effective during 2016, involves a transition period and should have implications on the issue of debt by bank institutions, implying the introduction of alterations in the liability structure through the issue of new senior debt with some subordination structure or strengthening the T2. The issue of AT1 instruments can only be considered after the total reimbursement of the CoCos.

Vision, Mission and Strategy

Vision and Mission

BCP's vision is being the reference Bank in Customer service, based on innovative distribution platforms, where a relevant part of the resources will be allocated to Retail and Companies, in markets of high potential with excellent efficiency levels, reflected in a commitment to an efficiency ratio at reference levels for the sector and with tighter discipline in capital, liquidity and cost management.

The Bank's mission is to create value for Customers through high quality banking and financial products and services, complying with rigorous and high standards of conduct and corporate responsibility, growing profitably and sustainably, so as to provide an attractive return to Shareholders, in a manner that supports and strengthens its strategic autonomy and corporate identity.

Strategy

In September 2012, BCP presented a new Strategic Plan, comprising three phases, to be implemented by 2017 ("Strategic Plan"). The Strategic Plan was also updated in September 2013, following the approval of BCP's Restructuring Plan by the EC and in June 2014, following the recently concluded capital increase operation, its targets were updated.

The three phases of the Strategic Plan are the following:

- Phase 1 (2012 to 2013): Define the foundations for sustainable future development

During the first phase of the Strategic Plan, the key priority consisted in reinforcing the balance sheet by reducing the dependence of funding on the wholesale market and increasing regulatory capital ratios.

- Phase 2 (2014 to 2015): Creating conditions for growth and profitability

During the second phase of the Strategic Plan, the focus is on the recovery of profitability of the Bank's domestic operations, combined with the continued development of the international subsidiaries in Poland, Mozambique and Angola. The improvement in domestic profitability was expected to be mainly driven by: i) the increase in net interest income by reducing the cost of deposits and changing the credit mix, with a focus on products with better margins; ii) the continued focus on the optimisation of operating costs by reducing the number of employees and eliminating administrative overlapping; and iii) the adoption of rigorous credit risk limits thus reducing the need for provisions.

- Phase 3 (2016 to 2017): Sustained growth

During the third phase, the management will focus on achieving a sustained growth of net income, benefitting from the successful implementation of the first two phases of the Strategic Plan, a better balance between the contributions of the domestic and international operations towards profitability and the conclusion of the winding down/divestment process of the Bank's non core portfolio.

For the 2016-2018 triennial, the Bank defined a new set of strategic priorities for the operation in Portugal aiming to build a sustainable Bank adapted to the new needs of the market and of its Customers. During the first six months of 2016, Millennium bcp continued to put in place its 2016-2018 Strategic Agenda.

The project consists of 6 work fronts devoted to sales and 3 work fronts devoted to the organisation as a whole. Over 100 employees in total are involved in the execution of the initiatives identified in this Agenda.

This period of time focused mainly on the renewal of the branch network, on innovation and on communication. The new initiatives developed within the scope of the Millennium bcp strategic project were visible externally. The Bank is going through a transformation period so as to better fit the digital profile of its Customers, while seeking to maintain the level of proximity that characterises the traditional relationship with the Bank.

For instance, in the first half of 2016:

- The Bank adopted a new branch layout, more modern and prepared to handle new Customers' profiles, increasingly digital and technological;
- The Bank continued to renew the branch network, in all business segments;
- The Bank launched online credit - an innovative product that allows Customers to get credit funding in their accounts the moment they request it, with a fully digital process;
- The App for individuals was greatly improved, becoming more modern and getting new functions;
- The Bank launched the first App for company Customers to manage their Portugal 2020 projects.

The most visible aspect of the work carried out was the definition and dissemination of the new underlying values of the organization (an agile, modern, close, simple and sustainable bank), together with the advertising campaign launched in May, which culminated with the Bank's new company motto "Aqui Consigo" (Always with you/Here I can).

Thus, the Strategic Agenda continues to originate initiatives that aim to turn Millennium bcp into the best commercial bank in Portugal.

Financial Information

LIQUIDITY AND FUNDING

During the first half of 2016 the wholesale funding consolidated needs of the Bank increased by approximately Euro 2.6 billion, mainly due to the reinforcement of the portfolio of Portuguese public debt (Euro 1.5 billion), to the increase of the liquidity deposited in the Bank of Portugal (Euro 0.6 billion) and the growth of the private debt portfolio (Euro 0.2 billion).

With the refinancing of medium-long term debt limited to Euro 0.3 billion, mainly through early redemption of liabilities, the increase of funding needs compared to December 2015 was enabled through the increases of repo net funding in Portugal (by Euro 2.1 billion to a balance of Euro 3.1 billion), in medium and long term loans from banks (from Euro 0.3 billion to a balance of Euro 1.3 billion) and in borrowings with the Eurosystem (increase of Euro 0.3 billion, to Euro 5.8 billion).

In net terms, the funding with the Eurosystem compared with December 2015 decreased Euro 0.4 billion, to Euro 4.9 billion, which managed to keep the liquidity buffer at a comfortable level of Euro 7.9 billion.

The liquid ratios calculated according to the CRD IV / CRR were above the minimum required of 100%. Net stable funding ratio and liquidity coverage ratio stood at 113% and 121% at June 30, respectively.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) no. 575/2013 (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR) that established new and more demanding capital requirements for credit institutions, with effects from 1 January 2014.

These stricter requirements result from more narrowly defined capital and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital.

The CRD IV/CRR also stipulates a transitional period (phased-in) in which institutions may accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios.

According to our interpretation of CRD IV/CRR to date, CET1 phased-in ratio reached 12.3% as at 30 June 2016, comparing with 13.3% as at the end of the previous year.

The CET1 performance, in the first semester of 2016, mainly reflects the following impacts:

- Progression of phase-in, which determined reductions of CET1 by 283 million euros, and RWA by 90 million euros as at 1 January 2016 (-63 basis points in CET1 phased-in ratio);
- The net income recorded in this period had a negative impact on both CET1 and RWA of 213 million euros and 77 million euros, respectively (-47 basis points in CET1 phased-in ratio);
- Accomplishment of the merger of Banco Millennium Angola and Banco Privado Atlântico in May 2016. This operation, including the impact of the kwanza devaluation recorded between the beginning of 2016 and its accounting recognition, determined a decrease of 237 million euros in CET1 and 2.728 million euros in RWA (+31 basis points in CET1 phased-in ratio);
- Mozambique's Central Government and Central Bank risk weight worsening reflected an increase of approximately 700 million euros in RWA (-21 basis points in CET1 phased-in ratio);
- The actuarial losses of the Pension Fund in the first semester determined reductions of CET1 by 147 million euros and RWA by 53 million euros (-32 basis points in CET1 phased-in ratio).

The unfavourable performance of other reserves, namely influenced by the foreign exchange reserves associated with the metical, by the minority interests of Mozambique, along with the remaining activity impacts, related to the CRD IV/CRR adjustments' evolution, led to a 176 million euros reduction in CET1, however offset by the reduction of 2,652 million euros in RWA, reflecting decreases of the loans and equity securities' portfolios and the devaluation of metical (+27 basis points in CET1 phased-in ratio).

CAPITAL RATIOS (CRD IV/CRR)			(EUR million)
	30 Jun. 16	**31 Mar. 15**	**31 Dec. 15**
PHASED-IN (*)			
OWN FUNDS			
COMMON EQUITY TIER 1 (CET1)	**4,719**	5,436	5,775
TIER 1	**4,719**	5,436	5,775
TOTAL CAPITAL	**5,133**	5,889	6,207
RISK WEIGHTED ASSETS	**38,415**	42,512	43,315
CAPITAL RATIOS			
CET1	**12.3%**	12.8%	13.3%
TIER 1	**12.3%**	12.8%	13.3%
TOTAL	**13.4%**	13.9%	14.3%
FULLY IMPLEMENTED (*)			
CET1	**9.7%**	10.0%	10.2%

(*) Includes the cumulative net income recorded in each period. March 2016 CET1 ratio without the cumulative net income stood at 12,7%.

RESULTS AND BALANCE SHEET

The consolidated Financial Statements were prepared under the terms of Regulation (EC) nº. 1606/2002, of 19 July, in accordance with the reporting model determined by the Banco de Portugal (Banco de Portugal Notice no. 5/2015), following the transposition into Portuguese law of Directive nº. 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola, which public deed was executed on 22 April 2016 and the granting of the necessary authorizations was concluded on 3 May 2016, Banco Millennium in Angola was considered as a discontinued operation in March 2016, and the impact of the results presented in a separate line item in the profit and loss account, defined as “income arising from discontinued operations” and the prior periods were restated. At the level of the consolidated balance sheet, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full method of consolidation until April 2016.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Nevertheless, in order to offer a clearer understanding of the evolution of the Group's activity, and only for the effect of this analysis, some balance sheet indicators are also presented on a comparable basis, i.e., simulating the consolidation of the Banco Millennium Angola, S.A. using the equity method.

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank’s Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013.

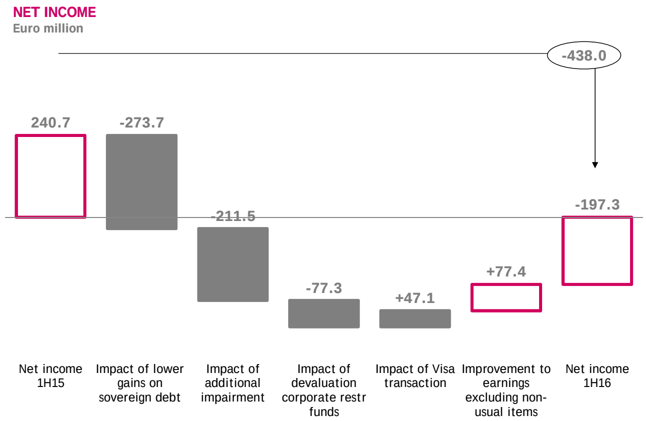
From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as “income arising from discontinued operations” with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. Following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

PROFITABILITY ANALYSIS

Net Income

The core income[‡] of Millennium bcp amounted to 437.1 million euros in the first half of 2016, increasing 10.3% from the 396.4 million euros registered in the same period of 2015 inducing a 4 percentage points improvement in cost to core income[§] between the first half of 2015 and 2016, reaching 52.5%.

Net income in the first half of 2016 stood at -197.3 million euros, hindered by the impact of non-usual items. Excluding this impact, net income would have been positive at 56.2 million euros in the first half of 2016, compared to a loss of 21.2 million euros posted in the same period of 2015.



Non-usual items, net of tax, include the gains related with the sale of Portuguese sovereign debt securities in the amount of 273.6 million euros in the first half of 2015, with no correspondence in the same period of 2016, the booking of additional impairment charges of 211.5 million euros to increase coverage, the devaluation of corporate restructuring funds, which stood at 77.3 million euros, mitigated by gains related with the purchase of Visa Europe by Visa Inc., in the Bank in Portugal and in Bank Millennium in Poland, amounting to respectively 20.9 million euros and Euro 26.2 million euros.

Net income in the international activity totalled 99.4 million euros in the first half of 2016, compared to 104.6 million euros recorded in the same period of 2015, benefiting from the gain booked in the subsidiary in Poland associated with the purchase of Visa Europe by Visa Inc., in spite of the penalizing effect of the introduction of a new tax on the Polish banking sector and the effect derived from the depreciation of the local currencies of the various geographies against the euro, with a special focus on the metical.

Bank Millennium in Poland registered a net income of 98.4 million euros in the first six months of 2016, showing a 24% increase in comparison with the 79.3 million euros presented in the same period of 2015, influenced by the gains obtained on sale of Visa Europe to Visa Inc. and by the favourable performance of net interest income and cost of risk, which more than offset the introduction, on February 2016, of the new banking tax and net commissions' reduction.

Millennium bim in Mozambique presented a net profit of 36.8 million euros, showing an increase, in meticais, of 14% over the first half of 2015 (net income in euros with a 23% reduction), due to banking income growth, boosted by net interest income performance, which mitigated the impact of increased operating costs, loan impairment charges and marginal income tax rate.

Millennium Banque Privée in Switzerland reported a net profit of 2.6 million euros in the first half of 2016, comparing to 3.3 million euros on previous year's homologous period, due to unfavourable evolution of banking income, notably on net commissions and net trading income, despite reduced operating costs and impairment and provisions.

Millennium bcp Bank & Trust in the Cayman Islands showed a reduction from 4.4 million euros in the first half of 2015 to 1.6 million euros in the same period of 2016, reflecting the impact of decreasing business volumes on banking income and of increased loan impairment charges.

[‡] Core net income = net interest income + net fees and commission income – operating costs.
[§] Core income = net interest income + net fees and commission income.

INCOME STATEMENT Euro million

	30 Jun. 16	30 Jun. 15 (1)	Change 16/15
Net interest income	600.8	571.5	5.1%
Other net income			
Dividends from equity instruments	5.8	3.2	81.0%
Net commissions	320.3	336.1	-4.7%
Net trading income	182.8	479.0	-61.8%
Other net operating income	(88.1)	(41.2)	-113.8%
Equity accounted earnings	37.7	20.6	82.9%
	458.5	797.7	-42.5%
Operating costs			
Staff costs	273.7	288.6	-5.2%
Other administrative costs	184.9	194.9	-5.1%
Depreciation	25.5	27.7	-7.9%
	484.1	511.3	-5.3%
Impairment			
For loans (net of recoveries)	618.7	463.7	33.4%
Other impairment and provisions	198.0	91.6	116.1%
Income before income tax	(241.3)	302.8	-
Income tax			
Current	56.4	44.8	26.0%
Deferred	(134.7)	1.3	-
Income after income tax from continuing operations	(163.0)	256.7	-
Income arising from discontinued operations	45.2	52.9	-14.6%
Non-controlling interests	79.5	68.9	15.4%
Net income attributable to shareholders of the Bank	(197.3)	240.7	

(1) Restating the financial statements of prior interim periods of the current financial year (see Accounting policies of Notes to the Interim Consolidated Financial Statements of 30 June 2016)

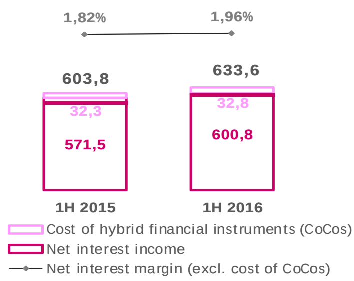
Net Interest Income

Net interest income reached 600.8 million euros in the first half of 2016, a year-on-year increase of 5.1% from the 571.5 million euros accounted in the same period of 2015, on the back of the positive performance of both Portugal and international activity.

In the activity in Portugal, net interest income increased by 8.8% compared with the first half of 2015 amounting to 358.1 million euros, determined by the sustained reduction of term deposits cost, materialised in a 77 basis points reduction from the first half of 2015, in spite of the decrease of the yield of the Portuguese sovereign debt portfolio related with the interest rates trend.

Net interest income in the international activity totalled 242.7 million euros in the first half of 2016, a 16.3% increase, excluding exchange rate impact, grounded on loans to customers and deposits volume's increases, mainly in the subsidiary in Mozambique.

NET INTEREST INCOME
Euro million



Net interest margin in the first half of 2016 reached 1.86%, compared to 1.72% in the same period of 2015. Excluding the impact from the cost of CoCos, net interest margin stood at 1.96% in the first half of 2016 and 1.82% in the same period of 2015.

AVERAGE BALANCES

Euro million

	30 Jun. 16		30 Jun. 15	
	Amount	Yield %	Amount	Yield %
Deposits in banks	3,194	0.56	3,171	0.85
Financial assets	10,479	2.09	9,860	2.89
Loans and advances to customers	50,141	3.26	53,076	3.43
Interest earning assets	**63,814**	**2.93**	**66,107**	**3.22**
Discontinued operations (1)	1,471		2,001	
Non-interest earning assets	9,920		9,609	
	75,205		**77,717**	
Amounts owed to credit institutions	10,513	0.36	11,378	0.58
Amounts owed to customers	49,124	0.76	48,494	1.27
Debt issued	4,460	3.28	5,574	3.38
Subordinated debt	1,654	7.40	2,011	6.25
Interest bearing liabilities	**65,751**	**1.04**	**67,457**	**1.47**
Discontinued operations (1)	1,375		1,779	
Non-interest bearing liabilities	2,511		3,125	
Shareholders' equity and non-controlling interests	5,568		5,356	
	75,205		**77,717**	
Net interest margin		1.86		1.72
Net interest margin (excl. cost of CoCos)		1.96		1.82

Note: Interest related to hedge derivatives were allocated, in June 2016 and 2015, to the respective balance sheet item.

(1) Includes the activity of the subsidiary in Angola and of Millennium bcp Gestão de Ativos (in 2015), as well as the respective consolidation adjustments.

Other Net Income

Other net income, which includes income from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 458.6 million euros in the first half of 2016, which compares with 797.7 million euros in the same period of 2015, mainly reflecting the activity in Portugal, which was mostly influenced by the gains related with the sale of Portuguese sovereign debt securities, totalling 388.1 million euros in the first half of 2015.

OTHER NET INCOME

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Dividends from equity instruments	5.8	3.2	81.0%
Net commissions	320.3	336.1	-4.7%
Net trading income	182.8	479.0	-61.8%
Other net operating income	(88.1)	(41.2)	-113.8%
Equity accounted earnings	37.7	20.6	82.9%
Total other net income	458.6	797.7	-42.5%
Of which:			
Portugal activity	290.9	632.2	-54.0%
Foreign activity	167.7	165.6	1.3%

Income from Equity Instruments

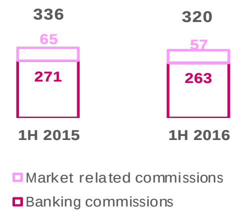
Income from equity instruments comprises dividends and income from participation units received from investments in financial assets available for sale or held for trading, stood at 5.8 million euros in the first half of 2016, a 2.6 million euros increase from the 3.2 million euros posted in the same period of 2015, mainly supported by the income associated with the Group's investments that incorporate its shares portfolio and the investment fund participation units.

Net Commissions

Net commissions amounted to 320.3 million euros in the first half of 2016 from 336.1 million euros in the same period of 2015. In the activity in Portugal, net commissions totalled 229.5 million euros, a year-on-year increase of 2.0%, which was offset by the decrease of 7.6%, excluding exchange rate effect, registered in the international activity.

The performance of net commissions in the first half of 2016 reflects the decrease in commissions associated with financial markets by 11.5% and with the banking business by 3.1%, influenced by the lower level of commissions recorded in international activity, despite the higher current accounts-related commissions in the activity in Portugal.

NET COMMISSIONS
Euro million



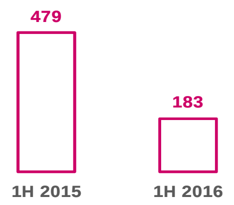
NET COMMISSIONS — Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Banking commissions	263.1	271.4	-3.1%
Cards	71.1	79.8	-10.9%
Credit and guarantees	81.1	84.5	-4.0%
Bancassurance	39.1	37.7	3.6%
Current account related	45.4	39.8	14.0%
Other commissions	26.5	29.6	-10.7%
Market related commissions	57.3	64.7	-11.5%
Securities	38.9	44.8	-13.1%
Asset management	18.3	19.9	**-8.1%**
Total net commissions	320.3	336.1	-4.7%
Of which:			
Portugal activity	229.5	225.0	2.0%
Foreign activity	90.9	111.1	-18.2%

Net Trading Income

Net trading income, which includes net gains from trading and hedging activities, from available for sale financial assets and from held to maturity financial assets, stood at 182.8 million euros in the first half of 2016, compared to 479.0 million euros posted in the same period of 2015, reflecting the gains related with Portuguese sovereign debt securities in the amount of 388.1 million euros booked in the first half of 2015, in spite of the gain of 91.0 million euros related with the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

NET TRADING INCOME
Euro million



NET TRADING INCOME — Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Foreign exchange activity	44.1	34.0	29.9%
Trading, derivative and other:			
Portuguese sovereign debt and Visa Europe gains	91.0	388.1	-76.6%
Other	47.7	56.9	-16.1%
Total net trading income	182.8	479.0	-61.8%
Of which:			
Portugal activity	75.9	426.0	-82.2%
Foreign activity	107.0	53.0	101.8%

Other Net Operating Income

Other net operating income, which comprises other operating income, other income from non-banking activities and gains from the sale of subsidiaries and other assets, was negative by 88.1 million euros in the first half of 2016 from 41.2 million euros registered in the same period of 2015.

In the activity in Portugal, this heading includes the contributions for the banking sector, for the Deposit Guarantee Fund, for the Resolution Fund and for the Single Resolution Fund, with the last only being registered in the fourth quarter of 2015, compared with the booking of 21.2 million euros in the second quarter of 2016, while in the international activity were greatly affected by the introduction of a new banking tax on the banking sector in Poland.

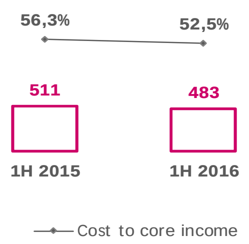
Equity Accounted Earnings

Equity accounted earnings, which include the earnings appropriated by the Group associated with the consolidation of entities over which the Group, despite having significant influence, does not exercise control over their financial and operational policies, totalled 37.7 million euros in the first half of 2016, a 17.1 million euros increase compared with the 20.6 million euros posted in the same period of 2015, mainly determined by higher gains from UNICRE, influenced by the transaction of its shareholding in Visa Europe.

Operating Costs

Operating costs, which aggregate staff costs, other administrative costs and depreciation for the period, excluding the effect of specific items related with restructuring costs, decreased 5.5% standing at 482.8 million euros in the first half of 2016, compare to 511.2 million euros posted in the same period of 2015, materialising the cost saving initiatives in Portugal established in the Strategic Plan.

OPERATING COSTS
Euro million



In the activity in Portugal, excluding specific items, operating costs totalled 308.6 million euros in the first half of 2016, a decrease of 3.5% compared to the same period of 2015, reflecting staff costs savings, embodied in the reduction of the number of employees, together with other administrative costs.

In the international activity, operating costs decreased 9.0%; however, excluding the exchange rate effect, operating costs increased 5.1% compared to the first half of 2015, mainly influenced by the subsidiary in Mozambique.

OPERATING COSTS — Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Staff costs	272.5	288.6	-5.6%
Other administrative costs	184.9	194.9	-5.1%
Depreciation	25.5	27.7	-7.9%
Subtotal (1)	**482.8**	**511.2**	-5.5%
Specific items			
Restructuring costs	1.2	–	
Operating costs	**484.1**	**511.2**	**-5.3%**
Of which:			
Portugal activity (1)	308.6	319.7	-3.5%
Foreign activity	174.3	191.5	-9.0%

(1) Excludes the impact of specific items presented in the table.

Staff Costs

Staff costs, excluding the impact of the above-mentioned specific items, amounted to 272.5 million euros in the first half of 2016, a 5.6% reduction from the same period of 2015, boosted by the decrease observed in the activity in Portugal, which benefited from the 197 reduction in the number of employees from the end of the first half of 2015, in spite of the 3.9% increase in the international activity, excluding exchange rate effects.

STAFF COSTS — Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Salaries and remunerations	205.6	219.3	-6.2%
Social security charges and other staff costs	66.9	69.3	-3.5%
	272.5	**288.6**	**-5.6%**

Other Administrative Costs

Other administrative costs totalled 184.9 million euros in the first half of 2016, a decrease of 5.1% from 194.9 million euros recorded in the same period of 2015, as a result of the impact of the above-mentioned operational efficiency improvement and cost savings initiatives, namely the resizing of the distribution network in Portugal, from 691 branches in the first half of 2015 to 646 in the same period of 2016. In the international activity, other administrative costs increased 5.6%, excluding exchange rate effects, determined by the operation in Mozambique.

OTHER ADMINISTRATIVE COSTS — Euro million

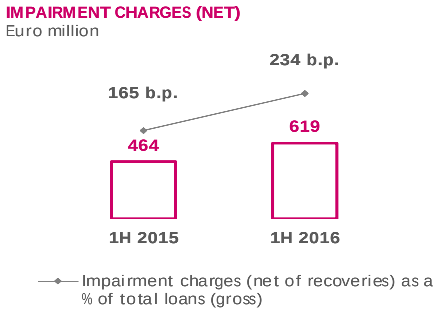
	30 Jun. 16	30 Jun. 15	Change 16/15
Water, electricity and fuel	8.2	9.0	-8.2%
Consumables	2.3	2.7	-16.2%
Rents	50.0	51.5	-2.8%
Communications	11.9	12.0	-0.9%
Travel, hotel and representation costs	3.8	4.4	-12.5%
Advertising	11.8	14.4	-18.1%
Maintenance and related services	9.6	11.0	-12.8%
Credit cards and mortgage	1.9	2.9	-33.4%
Advisory services	4.9	6.1	-20.2%
Information technology services	9.4	8.5	10.2%
Outsourcing	37.0	36.8	0.7%
Other specialised services	11.3	11.8	-4.7%
Training costs	0.6	0.5	39.4%
Insurance	2.2	2.6	-14.0%
Legal expenses	3.1	3.4	-8.2%
Transportation	4.2	4.0	**4.3%**
Other supplies and services	12.6	13.4	**-6.1%**
	184.9	**194.9**	**-5.1%**

Depreciation

Depreciation costs stood at 25.5 million euros in the first half of 2016, a 7.9% year-on-year decrease from the 27.7 million euros accounted in the same period of 2015, supported by the activity in Portugal (-7.3%), induced by lower real estate and software-related depreciation costs. In the international activity, depreciation costs increased, excluding the exchange rate impact, 13.4% compared to the first half of 2015, influenced by the subsidiaries in Poland and Mozambique.

Loans Impairment

Impairment for loan losses (net of recoveries) totalled 618.7 million euros in the first half of 2016, compared to 463.7 million euros posted in the same date of 2015, reflecting the booking of additional impairment charges that enabled the strengthening of the respective coverage levels, namely reflected in an improvement of overdue loans coverage ratio for more than 90 days per impairments, adjusted for the effect of discontinued operations, from 86.1% as at 30 June 2015 to 93.9% in the same period of 2016.



LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES) — Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Loan impairment charges:			
Strengthening of the coverage levels(1)	300.0	-	
Other	342.4	483.0	-29.1%
Credit recoveries	23.7	19.3	22.7%
	618.7	463.7	33.4%
Cost of risk(2):			
Impairment charges as a % of total loans	243 p.b.	172 p.b.	71 p.b.
Impairment charges (net of recoveries) as a % of total loans	234 p.b.	165 p.b.	69 p.b.

(1): credit impairment charges for 2Q16, minus those necessary to keep NPE coverage constant at 1Q16 levels.

(2): cost of risk adjusted of discontinued operations.

Other Impairment and Provisions

Other impairment and provisions include impairment charges for other financial assets, for impairment of other assets, in particular repossessed assets arising from the termination of loan contracts with customers, for impairment of goodwill, as well as charges for other provisions.

Other impairment and provisions stood at 198.0 million euros in the first half of 2016, compared to 91.6 million euros in the same period of 2015, influenced by the impact of 126.3 million euros related with the previously-mentioned devaluation of corporate restructuring funds in the first six months of 2016 comparing with 16.7 million euros in the same period of 2015, in spite of lower provisions for repossessed assets and for other liabilities and charges.

Income Tax

Income tax (current and deferred) amounted to -78.3 million euros in the first half of 2016, compared with 46.1 million euros posted in the same period of 2015. Additional information and details about the change in the tax value (current and deferred) on earnings in the periods under analysis is described in note 31 of the Notes to the Interim Consolidated Financial Statements for the first half 2016.

These taxes include current tax costs of 56.4 million euros (44.8 million euros in the first half of 2015) net of deferred tax income of -134.7 million euros (1.3 million euros in the same period of 2015).

Non-controlling interests

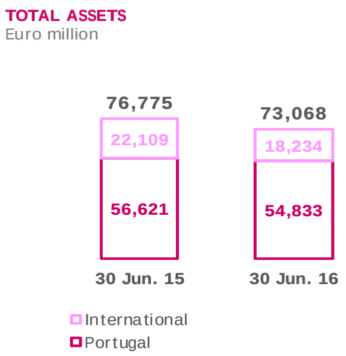
Non-controlling interests include the part attributable to third parties of the net income of the subsidiary companies consolidated under the full consolidation method in which the Group does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests totalled 79.5 million euros in the first half of 2016, which compares with 68.9 million euros in the first half of 2015, essentially reflecting the net income attributable to third parties related to the shareholdings held in the share capital of Bank Millennium in Poland, Millennium bim in Mozambique and ex-Banco Millennium Angola until the completion of the merger process with Banco Privado Atlântico.

The performance of non-controlling interests includes, on the one hand, the effect from the net income increase in Bank Millennium in Poland and, on the other hand, net income reduction in Banco Millennium Angola and in Millennium bim in Mozambique.

REVIEW OF THE BALANCE SHEET

Total assets reached 73,068 million euros as at 30 June 2016, compared with 76,775 million euros as at 30 June 2015, excluding the impact of Banco Millennium in Angola, reflecting loans to customers' portfolio retraction, together with the decrease in the securities portfolio, mainly related with the sale of Portuguese sovereign debt securities in the first half of 2015.



Loans to customers (gross), excluding discontinued operations, totalled 52,930 million euros as at 30 June 2016, compared with 56,137 million euros posted in the same date of 2015, induced by the decrease in the activity in Portugal, in spite of the increase recorded in the international activity, excluding the exchange rate effect.

Total liabilities, excluding the impact of Banco Millennium in Angola, stood at 68,054 million euros as at 30 June 2016, a 4.5% decrease from the 71,285 million euros posted on the same date in 2015, mainly refleting: (i) the reduction in debt securities issued by 23.7%, totalling 4,018 million euros at the end of June 2016 (5,263 million euros as at 30 June 2015), following the gradual replacement, upon maturity, of bonds placed with customers into deposits; and (ii) the decrease in deposits from Central Banks and from other credit institutions by 7.8%, to a total amount of 11,229 million euros as at 30 June 2016 (12,176 million euros on the same date of 2015).

Total customer funds, excluding the impact associated with discontinued operations, decreased 2.2% amounting to 62,823 million euros as at 30 June 2016, compared to 64,241 million euros posted in the same date of 2015.

Total equity, including non-controlling interests, stood at 5,014 million euros as at 30 June 2016, which compares with 5,489 million euros posted on the same date of 2015, excluding the impact of Banco Millennium in Angola. For further information and details on the composition and evolution of the equity please see the Consolidated Statement of Changes in Equity for the six months period ended 30 June, 2016 and 2015 in the Accounts and Notes to the Consolidated Accounts for the First Half of 2016.

BALANCE SHEET AS AT 30 JUNE 2016 AND 2015 AND 31 DECEMBER 2015

Euro million

	30 Jun. 16	31 Dec. 15	30 Jun. 15	Change 16/15
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	3,983	3,538	4,399	-9.4%
Loans and advances to customers	49,186	51,970	53,409	-7.9%
Financial assets held for trading	1,234	1,189	2,217	-44.3%
Other financial assets held for trading at fair value through profit or loss	145	152	-	-
Financial assets available for sale	11,023	10,779	11,704	-5.8%
Financial assets held to maturity	419	495	437	-4.1%
Investments in associated companies	559	316	305	83.0%
Non current assets held for sale	1,906	1,765	1,675	13.8%
Other tangible assets, goodwill and intangible assets	670	882	913	-26.6%
Current and deferred tax assets	2,804	2,605	2,585	8.4%
Other (1)	1,139	1,194	1,086	4.7%
Total Assets	**73,068**	**74,885**	**78,730**	-7.2%
Liabilities				
Deposits from Central Banks and from other credit institutions	11,229	8,591	12,413	-9.5%
Deposits from customers	48,762	51,539	50,601	-3.6%
Debt securities issued	4,018	4,768	5,263	-23.7%
Financial liabilities held for trading	614	723	824	-25.6%
Subordinated debt	1,660	1,645	1,661	-0.1%
Other (2)	1,771	1,938	2,318	-23.5%
Total Liabilities	**68,054**	**69,204**	**73,080**	-6.9%
Equity				
Share capital	4,094	4,094	4,094	-
Treasury stock	(4)	(1)	(120)	96.9%
Share premium	16	16	16	-
Preference shares	60	60	171	-65.0%
Other capital instruments	3	3	10	-70.3%
Fair values reserves	(52)	23	(101)	48.3%
Reserves and retained earnings	239	192	314	-24.1%
Net income for the period attributable to shareholders	(197)	235	241	-181.9%
Total equity attributable to Shareholders of the bank	**4,159**	**4,623**	**4,625**	-10.1%
Non-controlling interests	855	1,057	1,026	-16.6%
Total Equity	**5,014**	**5,681**	**5,650**	-11.3%
Total Liabilities and Equity	**73,068**	**74,885**	**78,730**	-7.2%

(1) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(2) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.

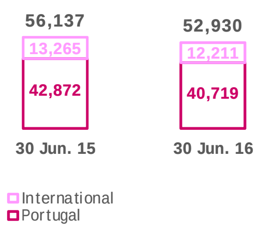
Loans to Customers

Loans to customers (gross), excluding discontinued operations, totalled 52,930 million euros as at 30 June 2016, compared with 56,137 million euros posted in the same date of 2015.

In the activity in Portugal, loans to customers decreased 5.0% compared to 30 June 2015, as a result of the performance of both loans to individuals and loans to companies, which decreased 3.6% and 6.4% respectively, hindered by the still moderate recovery of the Portuguese economy, in spite of the continued commitment in offering solutions to companies and individuals financing needs.

In the international activity, loans to customers, excluding the impact of the loan portfolio associated with the operation in Angola, classified as discontinued operation, and the exchange rate effect, increased 1.5% compared to 30 June 2015, driven by loans to companies increase mainly in the subsidiary in Mozambique.

LOANS AND ADVANCES TO CUSTOMERS(*)
Euro million



(*) Excludes the impact from discontinued operations (Banco Millennium Angola) in 2015.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of June 2015 and 2016, with loans to companies representing 46% of total loans to customers as at 30 June 2016.

LOANS TO CUSTOMERS (GROSS)

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Individuals	**28,413**	**29,807**	**-4.7%**
Mortgage	24,494	25,820	-5.1%
Consumer	3,918	3,988	-1.7%
Companies	**24,518**	**26,330**	**-6.9%**
Services	9,686	10,375	-6.6%
Commerce	3,132	3,206	-2.3%
Construction	3,166	3,789	-16.5%
Other	8,534	8,960	-4.8%
Subtotal	**52,930**	**56,137**	**-5.7%**
Discontinued operations	--	948	
Total	**52,930**	**57,085**	**-7.3%**
Of which (1):			
Portugal activity	40,719	42,872	-5.0%
Foreign activity	12,211	13,265	-7.9%

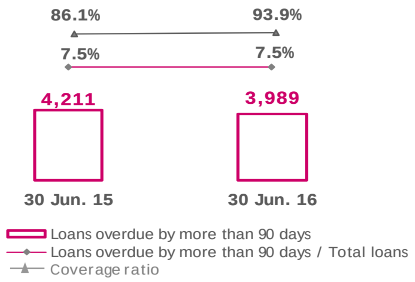
(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in 2015.

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, adjusted for discontinued operations, reached 7.5% as at 30 June 2016, at the same level as the ratio on the same date of 2015, and the coverage ratio for loans overdue by more than 90 day improved from 86.1% as at 30 June 2015 to 93.9% as at 30 June 2016.

The credit at risk ratio stood at 11.9% of total loans as at 30 June 2016, which compares with 12.4% as at 30 June 2015. As at 30 June 2016, the restructured loans ratio reached 10.0% of total loans, a favourable performance from the 10.4% registered at the end of June 2015 and the restructured loans not included in credit at risk ratio stood at 5.4% of total loans as at 30 June 2016 (6.4% as at 30 June 2015).

CREDIT QUALITY (*)

Euro million



(*) Excludes the impact from discontinued operations (Banco Millennium Angola) in 2015.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 JUNHO 2016

Euro million

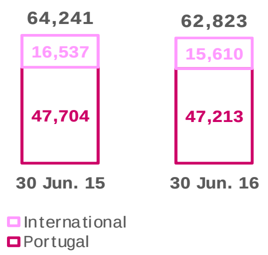
	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**868**	**805**	**3.1%**	**92.7%**
Mortgage	293	354	1.2%	121.1%
Consumer	575	451	14.7%	78.3%
Companies	**3,122**	**2,939**	**12.7%**	**94.2%**
Services	1,226	1,420	12.7%	115.9%
Commerce	303	271	9.7%	89.6%
Construction	1,006	629	31.8%	62.6%
Other	587	619	6.9%	105.4%
Total	**3,989**	**3,744**	**7.5%**	**93.9%**

Customer Funds

Total customer funds, excluding the impact associated with discontinued operations, stood at 62,823 million euros as at 30 June 2016, compared to 64,241 million euros posted in the same date of 2015.

In the activity in Portugal, total customer funds totalled 47,213 million euros as at 30 June 2016, from 47,704 million euros in the same date of 2015. Notwithstanding the increases of 320 million euros and 112 million euros registered, respectively, in customer deposits and assets under management, total customer funds performance was hindered by the decreases of 808 million euros in debt securities owed to customers and 116 million euros in capitalisation products.

TOTAL CUSTOMER FUNDS (*)
Euro million



(*) Excludes the impact from discontinued operations (Banco Millennium em Angola) in the amount of 1,501 million euros in June 2015.

In the international activity, total customer funds, excluding the impact associated with discontinued operations, reached 15,610 million euros as at 30 June 2016, from 16,537 million euros as at 30 June 2015, penalised by the depreciation of the zloty, the metical and the swiss franc against the euro. Excluding exchange rate effect, total customer funds increased 4.1% compared to 30 June 2015, mainly grounded on customer deposits' 5.9% increase in most geographies, namely in the subsidiary in Poland.

As at 30 June 2016, excluding discontinued operations, balance sheet customer funds represented 80% of total customer funds, with customer deposits representing 78% of total customer funds.

Improvement of loan to deposits ratio to stand at 102% as at 30 June 2016, compared to 107% as at the same period of 2015, benefiting from the reduction of the commercial gap by 2.4 million euros. The same ratio, considering total balance sheet customer funds, was 97% (100% as at 30 June 2015).

TOTAL CUSTOMER FUNDS (1) Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Balance sheet customer funds	**50,500**	**51,647**	**-2.2%**
Deposits	48,762	49,100	-0.7%
Debt securities	1,738	2,547	-31.7%
Off-balance sheet customer funds	**12,323**	**12,594**	**-2.2%**
Assets under management	3,847	3,890	-1.1%
Capitalisation products	8,476	8,704	-2.6%
Total	**62,823**	**64,241**	**-2.2%**

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola) in the amount of Euro 1,501 million in June 2015.

Securities portfolio

The securities portfolio, which includes financial assets held for trading, other financial assets held for trading at fair value through profit or loss, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, excluding discontinued operations, totalled 12,832 million euros as at 30 June 2016, compared with 13,832 million euros in the same period of 2015, representing 17.6% of total assets as at 30 June 2016, in line with the amount registered as at 30 June 2015 (18.0%).

SECURITIES PORTFOLIO (1)

Euro million

	30 Jun. 16	30 Jun. 15	Change 16/15
Financial assets held for trading	1,234	2,216	-44.3%
Financial assets available for sale	11,023	11,147	-1.1%
Assets with repurchase agreement	11	31	-66.2%
Financial assets held to maturity	419	437	-4.1%
Other financial assets held for trading at fais value through profit or loss	145	--	
Total	**12,832**	**13,832**	**-7.2%**

(1) Excludes the impact from discontinued operations (Banco Millennium in Angola).

BUSINESS AREAS

ACTIVITY BY SEGMENTS

Millennium bcp conducts a wide range of banking activities and financial services in Portugal and abroad, with special focus on Retail Banking, Companies, Corporate & Investment Banking and Private Banking business.

Following the commitment undertaken with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment has been considered, the Non-Core Business Portfolio, in accordance with the criteria agreed therein.

Business segment	Perimeter
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery ActivoBank
Companies, Corporate & Investment Banking	Companies Network of Millennium bcp (Portugal) Specialised Recovery Real Estate Business Interfundos Corporate and Large Corporates Networks of Millennium bcp (Portugal) Specialised Monitoring Investment Banking International
Private Banking	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland) (*) Millennium bcp Bank & Trust (Cayman Islands) (*)
Non Core Business Portfolio	In accordance with the criteria agreed with DG Comp (**)
Foreign Business	Bank Millennium (Poland) BIM - Banco Internacional de Moçambique Banco Millennium Atlântico (***) Millennium Banque Privée (Switzerland) (*) Millennium bcp Bank & Trust (Cayman Islands) (*)
Other	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.

(**) Loans Portfolios in Portugal to discontinue gradually under the commitments undertaken with the DG Comp.

(***) In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola was considered as a discontinued operation in March 2016. After the completion of the merger, in May 2016, the new merged entity, Banco Millennium Atlântico, started being consolidated using the equity method.

Note: In June 2015, Millennium bcp Gestão de Activos is considered discontinued operation.

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, also including the impact from capital allocation and the balancing process of each entity, both at the balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Therefore, as the process of capital allocation is in accordance with the regulatory solvency criteria in place, the risk weighted assets and, consequently, the capital allocated to segments, are based on Basel III methodology, according with CRD IV/CRR. The capital allocation to each segment, resulted from the application of 10% to the risks managed by each segment in those dates, reflecting the application of Basel III methodologies. The balancing of the various operations is ensured by internal fund transfers, not determining changes at the consolidated level.

Net income of each segment includes, when applicable, non-controlling interests. Therefore, the net incomes reflect the individual results by business unit, regardless of the percentage held by the Group, and of the funds transfers impacts described above. The information presented below was based on financial statements prepared in accordance with the IFRS and the organisation of the Group's business areas as at 30 June 2016.

RETAIL

Retail Network of Millennium bcp (Portugal)

In the first six months of 2016, Retail Banking obtained a net income of 64.7 million Euros, comparing favourably with the amount of 17.6 million Euros posted in the same period of 2015, essentially due to the increase in net interest income as well as the decrease in impairment for loan losses (net of recoveries) and operating costs.

Net interest income registered an increase of 46.3%income, evolving from 129.6 million Euros in the first six months of 2015 to 189.7 million Euros in the first half of 2016. This performance was determined by the sustained reduction of term deposits cost despite of volume of deposits increase.

The performance of other net income incorporates the effect of the gains achieved by Activobank in the divestment of sovereign debt securities in the first half of 2015.

Operating costs decreased 3.5% in the first half of 2016 comparing with the same period of previous year reflecting the cost saving initiatives established in the Strategic Plan that have been implemented.

In the first half of 2016, impairment for loan losses (net of recoveries) totalled 36.9 million Euros, comparing with 53.5 million Euros observed in the same period of previous year, showing the continuous focus on monitoring mechanisms to control and manage risk.

As at 30 June 2016 loans to customers totalled 17,361 million Euros keeping practically the figures registered in 30 June 2015, reflecting the still moderate recovery of the Portuguese economy, in spite of the continued commitment in offering solutions to companies and individuals financing needs.

Total customer funds stood at 32,897 million Euros as at 30 June 2016, increasing when comparing with 32,637 million Euros posted in 30 June 2015. The performance of customer deposits, that increased 1,154 million Euros, was crucial to this performance which was conditioned by the decrease in debt securities owed to customers and off-balance sheet customer funds.

Million euros

Retail Banking	30 Jun. 16	30 Jun. 15	Chg. 16/15
Profit and loss account			
Net interest income	189.7	129.6	46.3%
Other net income	181.2	197.7	-8.3%
	370.9	327.3	13.3%
Operating costs	242.3	251.2	-3.5%
Impairment	36.9	53.5	-31.1%
Net (loss) / income before income tax	91.7	22.5	>200%
Income taxes	27.0	4.9	>200%
Net income	64.7	17.6	>200%
Summary of indicators			
Allocated capital	515	589	-12.4%
Return on allocated capital	25.2%	6.0%	
Risk weighted assets	5,036	5,404	-6.8%
Cost to income ratio	65.3%	76.8%	
Loans to Customers	17,361	17,407	-0.3%
Total Customer funds	32,897	32,637	0.8%

Notes:
Customer funds and Loans to customers (net of recoveries) figures are on average monthly balances.

Segments

Mass Market & Integrated Solutions

Aiming to renew the client base, Millennium bcp launched a campaign for capturing new Customers through *Member get Member*. The 1st Quarter of 2016 is also noteworthy, with the re-launch of the Triple Salary Advantage Campaign that allowed current and future Customers to get a set of financial advantages if they domicile their salary or retirement pension with the Bank and also the possibility of winning last generation devices and trips to 3 European cities.

These two campaigns translated into an increase in new Customers, new salaries and into a stronger banking relationship with current Customers.

Digital innovation continued to be one the Bank's main bets, especially the development of new functions in the App that make every day management easier and simpler. Specific promotional actions were created for the main website, inviting Customers to join Integrated Solutions of Banking Products and Services, insurances and other products with favourable conditions.

Prestige and Residents Abroad

The Prestige segment recorded an increase in credit production, Customers' diversification of Financial Assets and segment profitability. These positive results were supported by a number of strategic actions:

- Stronger relationship with Prestige Customers, with increasingly proactive Client Managers and with initiatives such as Prestige Investment Seminars, attended by specialists in financial markets;
- Redefinition of new criteria for Prestige Segmentation, enabling the Bank to better serve and target its attention to its Customers and their needs;
- Increasing the offer to capture new Customers, through both salary payments and Member get Member actions;
- Development of new digital solutions for the segment, such as the new online Stock Exchange platform and the contracting of operations through the website;
- Increasing the training of Prestige Managers, in financial markets and investment solutions.

In the Residents Abroad segment there was an increase in turnover, in the capture of both funds and new Customers, allowing the Bank to solidify its leadership. These positive results were supported by a number of strategic initiatives:

- Increase of the BCP's presence near the Portuguese communities abroad through a network of Representation Offices and Partner Banks that ensure personal local assistance to the Bank's Customers;
- Promotion of the use of online channels to order money transfers to Portugal;
- Launching Member get Member actions, awarding Customers when they recommend Millennium bcp to new Customers;
- Increasing the product range available, enabling our Customers to have greater comfort and efficiency in the management of their assets, in Euros and in foreign currencies;
- Actions to captivate foreign Customers under the programme for “Non-Habitual Residents” (RNH) and “Golden Residence Permit” (GRP).

Business

In the Business segment, the increase in funding to Companies and in the capture of Customers from the business segments were the most important events of the first six months. These positive results, which enabled the Bank to be considered "Best Bank for Companies 2016" by the Study Data E 2016, were supported by a set of strategic initiatives:

- Promotion of the EU funds programme Portugal 2020 through road shows and workshops in the main economic centres of the country;
- Support to investment projects and increase of treasury funds of our Customers, under competitive conditions, through the EIB and PME Crescimento credit lines;

- Providing support for the various activity sectors, namely Agriculture and Tourism;
- Funding for Micro Companies and self-employed individuals to increase their treasury funds using the loan "Crédito Avançar", which is different from the remaining credit solutions on account of its simple formalization and swift decision making process;
- Awarding our best Customers with the 2016 Empresa Aplauso Programme;
- Presentation of Millennium bcp's exports/trade finance solutions to company Customers.

Microcredit

During 2016, Millennium bcp strengthened its commitment with the microcredit activity. The current economic context continues to be perceived by the Bank as an opportunity to provide support to all those who have an entrepreneurial mind and a feasible business idea, providing them with the help to create their own businesses.

As a result of the work developed during the first six months of 2016, the Microcredit of Millennium bcp financed 181 new operations, totalling 1.793 million Euros of credit granted and the creation of 315 new jobs. The volume of credit granted to the 1,166 operations in the portfolio, up to 30 June 2016, totalled 8.398 million Euros.

Products

Savings and Investment

The continued decrease in the cost of term deposits continues to be one of the most relevant factors for the recovery of the profitability of the domestic business of Millennium bcp, crucial for the completion of its strategy focused on the defence of its financial strength and on the recovery of its profitability levels. The first six months of 2016 continued to register a fall in the interest rates of products focused on the capture of funds due to a commercial strategy targeting the reduction of the cost of the liability products, maintaining an ongoing concern with the retention and growth of balance sheet customer funds.

Continuing the process of diversification of the financial assets of Customers, initiated in previous financial years, and considering the historically low interest rates, the Retail Network continued to promote diversified solutions for Customers to spread out their financial assets, including Certificates, Indexed Deposits, Investment Funds and Financial Insurances.

The first half of 2016 will also be remembered for the consolidation of the offer of investment funds in an open architecture in the branches of the Retail network, this way enriching the investment value proposal with funds from the most prestigious international managing companies.

Loans to Individuals

In the first half of 2016, due to its relevance in the profit and loss account, loans to individuals represented one of the strategic priorities of the Bank. Therein, we highlight the following actions:

Consumer loans – the Bank launched Online Credit, an exclusive on Millennium bcp's website, based on a fully digital format - simulation, proposal, decision, contract (if approved) and credit on the Customer's account. Simultaneously, the Bank developed several actions, namely special price conditions and targeted sales, which translated into an increase in credit granting and in the margin and fees.

Mortgage Loans – due to the market conditions and dynamics, the Bank continued to focus on campaigns with visibility, introducing several adjustments to its offer, giving preference to fixed rate solutions, which were welcomed by Customers who would rather have a stable monthly instalment. At a time when market rates are at historically low levels, these solutions allow customers to maintain financial stability in what regards EURIBOR variations, being also positive in terms of default prevention.

Cards and Payment Means

During the first six months of 2016, there was a noteworthy effort to sell POS contracts to business Customers with an increase of 3,053 new POS machines, a 7.4% growth and a market share increase of 0.7 p.p..

In April, American Express launched the 2% cash back for purchases (limited to 200 Euros) during the last weekend of every month for all the American Express card range for Individual Customers, which means these record higher charges on the last weekend of each month and allow customers to benefit from another advantage. In March, Companies also started receiving the 2% cash back for the Twin Business cards, without a monthly limit during that month.

Millennium bcp was once again the official sponsor of one of the gastronomic events with greater visibility in the media nationwide, *Restaurant Week*, adding a week reserved exclusively for the Bank's customers. The sponsorship includes two editions a year, one in February and one in October, based on the last edition in October 2015, the number of seats reserved in the Exclusive Week increased by 15.5% and by 85% year on year.

Due to the dynamics created around the use of debit and credit cards, the Bank recorded an increase in the number of purchases, 10.7% year on year, and in charges, 9.6% year on year, though fees received fell due to the decrease in Interchange Fees pursuant to the application of EU Regulation 2015/751.

Aiming to boost safety for card users and to decrease the Bank's fraud risk, it implemented the 3DSecure system that consists of using a dynamic single-use password for every transaction in websites that joined the system.

Insurances

In the 1st half of 2016, risk insurances recorded a good performance in sales, continuing to record the growth trend seen in the same period in previous years. The risk insurance portfolio continued to grow, recording a 4.3% increase in a market downturn, proving that our insurance product range meets the Customers needs for protecting their families and assets, as well as companies.

The campaign “For Insurances go to Millennium bcp” launched in the 1st quarter enabled cross selling between Individual and Company Customers, giving better benefits/discounts in new Non-Life policies, with advantages for customers that have large insurance portfolios with the Bank.

In addition, the visibility of active sales products such as Médis and the procedure for recovering insurances associated to Home Loans through which we contacted Customers that do not have these insurances with the Bank were decisive for increasing the number of insurances in the portfolio.

ActivoBank

In the 1st half of 2016, the Bank remained focused on the strategic objectives of expanding its customer base and increasing customers' involvement with the Bank. Each one of these two strategic objectives was developed according to the following vectors:

Attracting Customers

- Strengthening the expansion of non-banking recommendations (Associates) and the approach to Employees of the companies identified with the Bank's target (worksites);
- Launching two institutional communication campaigns and strengthening the value proposition, along with launching new products and services that set the difference.

Customer Loyalty

- Creation of a new layout for the website;
- Launching a new version of the transactional app highlighting access through fingerprint;

In order to materialize the goals mentioned above, during the 1st six months of 2016, several initiatives were developed, amongst which we underline the following:

I. Growth and consolidation of the commercial network

A page was launched on LinkedIn to increase the number of Associate Promoters.

II. Institutional communication campaigns and value proposition

The communication campaigns to attract customers on YouTube and on TV, executed during the 1st half of 2016, focused on the competitive advantages that set ActivoBank apart from the competition, allowing it to obtain enhanced brand awareness.

Both campaigns used advertisements in a different format that promoted interaction with potential Customers.

III. Investment Banking

During the first 6 months of 2015, Activobank launched a campaign to promote the Ontrade Platform.

Companies, Corporate & Investment Banking

Companies, Corporate & Investment Banking registered in the first six months of 2016 a negative net income of 71.2 million Euros, comparing with the net income of 147.7 million Euros posted in the same period of the previous year, essentially due to the increase in the impairment charges.

In the first half of 2016 net interest income achieved 141.0 million Euros decreasing from 164.4 million Euros observed in the first half of 2015. This performance reflects essentially the impact of lower business volume but also the reduction of loan interest rates impact.

The operating costs totalled 48.1 million Euros in the first six months of 2016 decreasing 1.0% comparing with figures registered in the first half of 2015, reflecting the cost saving initiatives established in the Strategic Plan that have been implemented.

Impairment for loan losses (net of recoveries) amounted to 271.5 million Euros in the first half of 2016, reflecting the booking of additional impairment charges that enabled the strengthening of the respective coverage levels, namely reflected in an improvement of overdue loans coverage ratio for more than 90 days per impairments.

The amount of impairment shown in the first half of 2015 (a profit of 4.1 million Euros) includes the reallocation of impairments among business segments in the amount of 139.5 million Euros but without determining any impact at the consolidated level.

As at 30 June 2016 loans to customers decreased 5.3% when compared to 30 June 2015, evolving from 11,484 million Euros to 10,880 million Euros, reflecting the still moderate recovery of the Portuguese economy, in spite of the continued commitment in offering solutions to companies financing needs.

Total customer funds amounted to 9,894 million Euros as at 30 June 2016, decreasing from 10,605 million Euros registered in 30 June 2015, essentially due to customer deposits performance.

Million euros

Companies, Corporate & Investment Banking			
	30 Jun. 16	30 Jun. 15	Chg. 16/15
Profit and loss account			
Net interest income	141.0	164.4	-14.3%
Other net income	77.5	89.3	-13.2%
	218.4	253.7	-13.9%
Operating costs	48.1	48.6	-1.0%
Impairment (*)	271.5	(4.1)	>200%
Net (loss) / income before income tax	(101.2)	209.2	-148.4%
Income taxes	(30.0)	61.5	-148.7%
Net income	(71.2)	147.7	-148.2%
Summary of indicators			
Allocated capital	767	921	-16.7%
Return on allocated capital	-18.7%	32.3%	
Risk weighted assets	7,154	7,648	-6.5%
Cost to income ratio	22.0%	19.1%	
Loans to Customers	10,880	11,484	-5.3%
Total Customer funds	9,894	10,605	-6.7%

Notes:
Customer funds and Loans to customers (net of recoveries) figures are on average monthly balances.

(*) Includes in 2015 the reallocation of impairment from core to no core portfolio.

Companies Network of Millennium bcp (Portugal)

Taking into consideration the strategic priorities set forth, the main goals of the Companies Network in 2016 were:

- To focus on the companies' operation cycle, namely through existing solutions for short term funding (highlighting factoring and confirming solutions) and solutions targeting treasury needs;
- Supporting the companies to complete new investment projects within a framework of sustainable medium- to long-term development, especially projects under the Portugal 2020 Programme;
- Supporting companies that wish to become international to diversify their markets, promoting full trade finance solutions, both in terms of information on destination markets and in terms of funding the export/import activity of the company.

Continuing to promote protocol credit lines with the Portuguese State, namely Mutual Guarantee Societies, of which we underline:

- PME Crescimento 2015 credit line: in the first half of 2016, 1200 new operations were signed globally amounting to around 130 Million Euros;
- Launching of the credit line Apoio à Qualificação da Oferta 2016 with Turismo de Portugal. With a global budget of 60 Million Euros, it is aimed to fund projects for the requalification of existing tourism undertakings and the creation of tourism undertakings that set themselves apart from the existing offer. This new credit line follows the line for Qualificação da Oferta 2012 closed in December 2015 and in which BCP was market leader with a market share of 26.3% of the credit granted;
- Launching of the credit line "Linha de Crédito para Apoio a Produtores de Leite de Vaca e Suínos". Partnership with IFAP, having a global budget of 50 Million Euros, aiming to provide more favourable funding conditions for raw cow milk producers and swine producers to support treasury or investment needs in connection with their industry.

Support to projects approved within the scope of the Portugal 2020, highlighting the following initiatives:

- Promoting the "Millennium 2020", a funding instrument with an offer that starts on the application stage (commitment of the Bank's support to the completion of the projects approved) and continues until the execution stage whether for anticipating incentives approved or for funding other party's stakes in the projects;
- Launching the 2020 App, an innovative digital solution that enables monitoring the execution of projects approved;
- Organization, together with Companies Associations, of the "Portugal 2020 Companies Forum". With sessions in Lisbon, Porto, Coimbra, Leiria, Algarve, Braga and Torres Novas, it enabled businessmen to meet and share their experience and for Management Entities to present the best practices regarding the projects.

Strengthening the support offer of the Operating Cycle, highlighting the launch of "Easy Confirming", support product for company suppliers, with simple and agile operative, ensuring payment to suppliers and enabling meeting extraordinary liquidity shortages.

Continuing to focus on promoting Trade Finance and on supporting companies going international, especially through:

- two-digit growth in the number of new trade finance operations year on year, with a reinforcement of market shares in the main trade finance products and due to the 10% growth of the Client base;
- broadening the Trade Finance offer, launching the Export International Factoring with Credit Insurance;
- making the companies website www.millenniumbcp.pt more dynamic by introducing new functions to improve the relationship between the Customers and Millennium bcp;
- definition of protocols with the exports sectors and participation in training sessions and events organised by Millennium bcp and by other entities.

Improving commercial activity focusing on using the GPS (application to support the commercial activity) as a support instrument for planning and managing sales, presenting leads and business opportunities targeted at meeting the companies' needs and reinforcing the relationship between the Bank and the Companies.

Real estate business

The strategic priorities of the Real-Estate Business Division in the first half of 2016 were, in what regards credit, to closely follow customers and projects, anticipating needs and developing various restructuring solutions so as to reduce risk and improve the contribution to the Bank's accrued results, and, in what regards the real estate properties, to ensure the sustainability of the properties and the decrease of expected losses, to return the properties to the market as soon as possible, maintaining balance between both sides - increasing sales while selling for a fair price. We also highlight the following actions:

- Commercial follow up of the real estate promotion Customers framing all stages of their life;
- Leveraging the commercial actions, the Bank continued to promote the sales programme M Imóveis for Customers' undertakings, creating conditions to sell financed projects;
- The diagnosis, re-structuring and valuation models continued to be developed as well as new channels to place assets;
- Developing new partnerships for sales of properties outside Portugal and attending international seminars and fairs (e.g. Paris, Beijing and Madrid);
- Consolidating the sales channels in Portugal by betting on partnerships established with specialised real estate brokers (specialized in non-housing properties), increasing the presence of our sales people with mediators so these give preference to the sale of the Bank's assets;
- Campaigns, regional and nationwide, and promotions for each asset segment together with exclusive campaigns on the M imóveis website "Make your bid and do your own deal";
- The Bank continued to uphold its policy to defend the value of its real estate properties in the sales;
- Promotion of actions to conclude / refurbish real estate properties so as to maximise their market value.

Interfundos

The real estate market continues to look lively and dynamic in 2016. The instability in the financial markets associated to high liquidity and attractive yields have lead to growing interest from international investors in the Portuguese real estate market.

After a 98% increase in 2015 (versus 2014), and with a historical maximum amount of 1,800 Million Euros invested in commercial real estate, the investment volume reached 915 Million Euros in the first six months of 2016. Following the sky rocketing volumes, the yields demanded by the investors continue on a downward trend, from the maximum recorded in 2013, between 200 and 275 basis points.

Together with this performance, assets for urban promotion and rehabilitation, meant for housing and local short term rentals, continue to benefit from the Portugal's attractiveness in terms of taxes and tourism, in a growing trend with consecutive rises in volumes and sales prices, now also leveraged by the increase in the number of Portuguese families looking for their 1st house. This makes us expect that confidence levels will remain high in the second half of the year of 2016.

The Managing Company proceeded with its strategy to reinforce the financial stability of the Organismos de Investimento Imobiliário (OII), undertakings for investment in real-estate, and the creation of liquidity conditions for the Participants having undertaken, for that purpose, two capital increase operations (OII Oceânico III and OII Imosotto) and one capital decrease operation (OII Eminvest). The duration for four OII was also extended (OII Fimobes, OII Multiusos Oriente, OII Imorenda and OII Oceânico).

During the first six months of 2016, the volume of assets of the 40 OII under management by Interfundos totalled 1,367 million Euros, maintaining the market leadership position.

Corporate and Large Corporate of Millennium bcp (Portugal)

Within this economic context, the strategic priorities of the Corporate and Large Corporate Networks were:

- Keeping close to companies, from a global partnership point of view, aiming to proactively identify the companies needs, presenting tailor-made financial solutions;
- Helping companies develop their strategies for growth and for going international, together with the International Division and the Investment Banking Division, be it implementing

diversification projects for other international markets or making structured finance, corporate finance and money market operations.

The main initiatives in place in the first six months of 2016 were:

- Intensifying the business relationship with the companies, increasing the number of visits to Customers to jointly identify business opportunities in the various corporate activities;
- Working together with the Investment Banking Division (namely Origination Areas) and the International Division to create tailor-made solutions for direct funding to the operation or for new investments, for selling to international markets with greater growth potential, for resizing strategies or diversification to new complementary business areas;
- Support to companies with investment projects approved within the scope of the Portugal 2020 Programme, from a standpoint of increasing competitiveness in the Portuguese economy, with:
  - global solutions for funding projects from the application stage until the final execution of the projects, improving the reception of incentives approved;
  - creation of the 2020 App, an innovative digital application that allows companies to monitor, daily and permanently, the execution of the projects as approved;
- Focusing on granting loans to companies with sustainable economic and financial strategies, especially supporting the operating cycle, with tailor-made factoring and confirming solutions, to support payments and receivables.

Investment Banking

Millennium bcp Investment Banking continued to undertake its activities of supporting corporate growth and economic development in the regions where it operates, recording a turnover increase of 27.3 Million Euros year on year.

The efforts to generate new deals, carried out by the origination areas, were focused on the Group's core markets, focusing on investment flows involving Portugal, Angola, Mozambique, Brazil and Macau/China, designing solutions adjusted to each project and each market.

Still in terms of origination, we underline the strategic initiatives to reinforce the cooperation with other networks of the Bank, closer to Customers and deepening the networking with international institutional investors and with strategic partners in the non core markets it covers.

The effort to execute mandates was developed through the product areas of corporate finance, project finance, structure finance and capital markets:

Corporate Finance

Millennium bcp investment banking recorded in the first six months of 2016 a strong activity in terms of advisory services for corporate finance, especially advisory services for M&A operations, as well as many evaluations of companies, corporate restructuring and reorganization processes. One should also note its participation in cross border transactions partnering with Terra Alliance.

Project Finance

Continuing its effort to redirect the activity and besides managing the outstanding portfolio, in an effort towards disintermediation, the project finance area developed, together with the international origination area, structuring and distribution with institutional investors. In Portugal one should highlight the continuous advisory services to a road concessionaire in the renegotiation of the concession agreement.

Structured Finance

The Structured Finance area continued to be very active in the 1st half of 2016, analysing, structuring, negotiating and setting up new funding operations in Portugal (recreation, construction, energy, industry, distribution, transportation, cement, etc.), Angola (energy, engineering and health) and Mozambique (food, construction, engineering and public sector), as well as several restructuring operations for large companies and economic groups in Portugal. The cooperation with Banco Sabadell, our partner bank in Spain, was also increased so as to share business opportunities.

Capital Markets

With a strong presence of the Millennium investment banking as bonds issuer, for both retail and institutional investors, in the 1st half of 2016 we underline the setup of the issues for Saudaçor, of the Autonomous Regions of Azores and Madeira, Secil, besides the usual participation in issues from recurring market issuers such as EDP and Brisa. Still in terms of the issue of securitised debt, the first six months of 2016 also featured an increase in funding operations, translated in the engagement of 22 new Commercial Paper Programmes. The increase in disintermediation was also noteworthy, being achieved in cooperation with the international/institutional origination area, by promoting the interest of international investors in debt operations.

International

In a particularly demanding context considering the geo-political and economic and financial conditions experienced in various parts of the planet, the Department for Financial Institutions, of the Treasury, Markets and International Division, maintained an intensive activity with its counterparties and Customers, aiming to reinforce Millennium bcp's part as main partner of domestic companies in building up an international business and investment operation.

This way, the International Department continued on its mission to add value to the Bank, by means of an ample and competitive service range, related to both transactions and trade finance, supported by a network of correspondent banks that cover all the countries that are relevant for the Portuguese economy and also through multilateral agreements.

It is also important to mention in this case that Millenniumbcp is the leader in the contracts for funding from the European Investment Bank (EIB) to support SMEs. In the first half of 2016, 250 M€ were paid from the last credit line negotiated with that entity, and the bank started negotiations for new credit lines and financial instruments according to the needs of domestic companies. Still in terms of cooperation with the EIB, Milleniumbcp continued to trade in operations wherein it is the guarantor for projects in Portugal financed by this entity.

Partnering with the EIB, the Bank began to place credit operations for guarantees for Innovative SMEs "Linha FEI – InnovFin."

The Financial Institutions Department also took part in the yearly meetings with multilateral entities of which Portugal is a member, promoting and identifying cooperation opportunities, such as with the Inter-American Development Bank, African Development Bank, European Bank for Reconstruction and Development and the Asian Development Bank.

Throughout the first half we kept an equally strong and dynamic service offer which is recognised by the market as particularly distinctive: from institutional custody services to the representation services in payment systems for banks and entities present in Portugal.

In terms of custody we consolidated our leading position in the non-resident institutional category, with a 58% market share. We also reinforced the services as depositary bank for risk capital funds and the offer in terms of securities escrow accounts. One must also highlight the relevant and innovative part in the provision of paying agent for non-resident issuers that wished to integrate their issues in Portugal through Interbolsa.

Also in terms of institutional custody, a new European settlement system, T2S, was successfully put in place in the domestic market.

As a consequence of this commercial action with the domestic and international financial entities, the Financial Institutions Department continued on the path towards growth sustained by the profits of the various business lines, mostly generated by fees, at a pace that remained above budgeted figures for the half year.

PRIVATE BANKING

Private Banking Network of Millennium bcp (Portugal)

Net income of Private Banking, in accordance with the geographic segmentation, amounted to 11.0 million Euros in the first half of 2016, comparing favourably with the net income of 5.8 million Euros registered in the same period of 2015, essentially due to the rise in net interest income.

In the first half of 2016 the net interest income reached 7.5 million Euros, comparing favourably with the 1.9 million Euros obtained in the same period of the previous year. This performance was determined by the sustained reduction of term deposits cost, despite the increase observed in the volume of deposits.

Other net income reached 16.5 million Euros in the first six months of 2016 increasing 3.9%, when compared with the figures registered in the first half of 2015.

Operating costs decreased 7.3% million Euros in the first six months of 2016 comparing to the same period of the previous year, amounting 7.5 million Euros, reflecting the cost saving initiatives established in the Strategic Plan that have been implemented.

As at 30 June 2016 loans to customers stood at 177 million Euros reducing 29.5% when compared to the amount observed in 30 June 2015.

Total customer funds amounted to 5,293 million Euros as at 30 June 2016, registering an increase of 7.5%, from the figures registered in 30 June 2015 influenced by the increase of assets under management and also in customer deposits.

Million euros

Private Banking			
	30 Jun. 16	30 Jun. 15	Chg. 16/15
Profit and loss account			
Net interest income	7.5	1.9	>200%
Other net income	16.5	15.9	3.9%
	24.0	17.8	35.1%
Operating costs	7.5	8.1	-7.3%
Impairment	0.9	1.4	-34.6%
Net (loss) / income before income tax	15.6	8.3	88.3%
Income taxes	4.6	2.4	88.0%
Net income	11.0	5.8	88.4%
Summary of indicators			
Allocated capital	10	14	-28.3%
Return on allocated capital	217.5%	83.0%	
Risk weighted assets	105	118	-11.3%
Cost to income ratio	31.3%	45.5%	
Loans to Customers	177	250	-29.5%
Total Customer funds	5,293	4,925	7.5%

Notes:
Customer funds and Loans to customers (net of recoveries) figures are on average monthly balances.

The strategic priorities guiding the activity pursued by the Private Banking network during the first six months of 2016 were:

- To broaden the advisory model so as to encompass the entire eligible Client Base, a process that was in place under a close partnership between the Private Banker and the Investment Specialists.
- To perfect the Customers Segmentation Model, designing a strong value proposal adjusted to the specific needs of each segment;
- To give preference to the proximity with Customers, following the contacts policy for each segment (more and better contact translates into more sales);
- Increasing the event policy.

The objectives defined for 2016 were:

- Contributing to the Bank's sustained growth and financial soundness;
- Consolidating the recovery of profitability;
- Focusing on capturing funds;
- Strengthening leadership in Private Banking in Portugal.

The initiatives undertaken aim to:

- Continue to capture new Customers through cross networking, extending Private Banking's offer to Customers with relationships in other networks/geographies;

- Reassessing the "Performance indicators" so as to adequately attribute performance incentives to commercial areas and investment specialists.

Foreign Business

In the first half of 2016 net income of Foreign Business, in accordance with the geographic segmentation, excluding discontinued operations, stood at 135.2 million Euros, comparing favourably with 126.5 million Euros obtained in the first six months of 2015. This performance benefited from the gain booked in the subsidiary in Poland associated with the purchase of Visa Europe by Visa Inc., in spite of the penalizing effect of the introduction of a new tax on the Polish banking sector and the effect derived from the depreciation of the local currencies of the various geographies against the euro, with a special focus on the metical.

Net interest income in the first six months of 2016 remained almost unchanged compared to the figures registered in the same period of 2015 despite the exchange rate negative impact.

Operating costs, in the first half of 2016 registered a decrease of 9.0%, compared to the first half of 2015. Excluding the exchange rate effect, operating costs increased 5.1% compared to the first half of 2015, mainly influenced by the subsidiary in Mozambique.

Impairment for loan losses (net of recoveries) totalled 43.7 million Euros in the first six months of 2016 comparing favourably to 47.3 million Euros observed in the same period of the previous year.

As at 30 June 2016, loans to customers amounted to 11,815 million Euros comparing to 12,828 million Euros registered in 30 June 2015. Excluding the exchange rate effect loans to customers increased 1.5% driven by loans to companies increase mainly in the subsidiary in Mozambique.

Customer funds of foreign business totalled 15,610 million Euros as at 30 June 2016, comparing to 16,537 million Euros as at 30 June 2015, penalised by the depreciation of the zloty, the metical and the swiss franc against the euro. Excluding exchange rate effect, total customer funds increased 4.1% compared to 30 June 2015, mainly grounded on customer deposits' 5.9% increase in most geographies, namely in the subsidiary in Poland.

Million euros

Foreign Business			
	30 Jun. 16	30 Jun. 15	Chg. 16/15
Profit and loss account			
Net interest income	233.5	231.4	0.9%
Other net income (*)	167.7	165.6	1.3%
	401.3	396.9	0.9%
Operating costs	174.3	191.5	-9.0%
Impairment	43.7	47.3	-7.7%
Net (loss) / income before income tax	183.3	158.1	15.2%
Income taxes	48.1	31.6	52.1%
Net income	135.2	126.5	6.3%
Summary of indicators			
Allocated capital	1,207	1,150	4.9%
Return on allocated capital	22.5%	22.2%	
Risk weighted assets	10,061	10,970	-8.3%
Cost to income ratio	43.4%	48.2%	
Loans to Customers	11,815	12,828	-7.9%
Total Customer funds	15,610	16,537	-5.6%

Notes: Foreign business segment does not include Banco Millennium Angola since it's considered a discontinued operation. Also does not include the gain of 7.3 million euros related to the sale.

(*) in June 2016 includes 3.0 million euros from two months of equity accounted earnings related to the investment in Banco Millennium Atlântico, the new merged entity resulted from the merger process of Banco Millennium Angola with Banco Privado Atlântico in May 2016.

Business in Europe

Poland

During the 1st half of 2016, the Bank continued to implement its organic growth strategy focused on capturing new Customers, going paperless and on the improvement of the service quality while maintaining its operational excellence.

The adoption of a new tax in Poland (contribution charged to the banking sector) in 2016 reduced the profitability of all the banks of the Polish banking system by 25 to 30% in spite of the fact that this effect will only become more visible in 2017 since the banks benefited in 2016 from an extraordinary positive effect (Visa Europe Ltd transaction).

The main initiatives to materialize its strategy focused on the preservation of profitability, while keeping the organic growth objectives. These objectives may be grouped into 4 pillars: (1) speeding up the capture of retail customers by increasing the efficiency of traditional and digital channels, retaining the segment's profitability through the capture of new Customers essentially by the opening of current accounts, increasing deposits from individuals and the sale of high margin products; (2) maximising the value of Customers and increasing efficiency in the retention of Customers through an advanced CRM; (3) Maintaining the growth pace in the companies segment, improving profitability, reducing the cost of risk, reinforcing the position in the specialized funding; (4) Maintaining operational excellence and a strict control of costs, through a simplified operating model, based on digital technology and preparing the IT platform for future challenges.

Commercially speaking, the Bank reached the number of 1.4 million active Customers in Retail. Deposits increased 18% annually in this segment. The Group also grew significantly in cash loans (13%) and leasing (16%). The Bank introduced a new modern Branch layout oriented towards the relation with the Customers, together with new online and mobile solutions for individuals and companies.

The consolidated net income of Bank Millennium was 98.4 million Euros, representing a 31.5% growth if compared with the same period of 2015. This increase translates the positive effect of the transaction Visa Europe Ltd, amounting to 64.6 million Euros.

Net income increased 31.5%, to 98.4 million Euros and the impact of the new contribution charged to the banking sector (18.4 million Euros) was more than offset by the net combined impact amounting to 42.3 million Euros, i.e. the gains achieved with the sale of the shares of Visa Europe to Visa Inc., together with the accounting of additional provisions for tax disputes, options in a foreign currency and frauds. Core income increased 2.6% triggered by a significant 8.1% improvement in the financial margin and the NIM went up from 2.2% to 2.4%, after a less positive performance in the first half year of 2015, as a result of the cuts in the reference rates of the Polish Central Bank in October 2014 and March 2015. ROE increased from 11.2% to 13.1%, in spite of the record level of own funds. The common equity tier 1 ratio stood at 16.9% by the end of the first six months of 2016, complying with the regulatory requirements in effect in Poland since October 2015.

Bank Millennium

Million euros

	1H 2016	1H 2015	Change % 16/15	1H 2015	Change % 16/15
				excluding FX effect	
Total assets	15,034	16,434	-8.5%	15,526	-3.2%
Loans to customers (gross)	10,907	11,565	-5.7%	10,926	-0.2%
Loans to customers (net)	10,587	11,214	-5.6%	10,594	-0.1%
Customer funds	13,559	13,808	-1.8%	13,045	3.9%
Of which: on Balance Sheet	12,125	12,059	0.5%	11,393	6.4%
off Balance Sheet	1,434	1,748	-18.0%	1,652	-13.2%
Shareholders' equity	1,515	1,437	5.4%	1,358	11.6%
Net interest income	167.6	161.3	3.9%	152.3	10.0%
Other net income	133.9	102.2	31.0%	96.5	38.8%
Operating costs	126.2	132.0	-4.4%	124.6	1.3%
Impairment and provisions	24.2	30.8	-21.3%	29.0	-16.6%
Net income	98.4	79.3	24.1%	74.9	31.5%
Number of customers (thousands)	1,421	1,329	7.0%		
Employees (number) (*)	5,897	5,939	-0.7%		
Branches (number)	392	411	-4.6%		
Market capitalisation	1,280	1,896	-32.5%	1,791	-28.5%
% of share capital held	50.1%	50.1%			

Note: the source of the information presented in this table were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available

Source: Bank Millennium

FX rates:

Balance Sheet 1 euro =	4.4362	4.1911	zloties
Profit and Loss Account 1 euro =	4.3788	4.1332	zloties

(*) Number of employees according to Full Time Equivalent (FTE) criteria

Switzerland

Millennium Banque Privée, incorporated in Switzerland in 2003, is a private banking platform that provides discretionary management services to individual customers of the Group with large assets, as well as financial advisory and orders execution services.

By the end of June 2016, the number of assets under management of Customers remained stable, amounting to 2.7 billion Euros versus December 2015 but the positive effect of new entries was damaged by the depreciation of the portfolios. Assets under discretionary management represented 23% of the assets under management on 30 June 2016.

In the first six months of 2016, net fees amounted to 16.9 million Euros, a 10% decrease versus June 2015. This reduction is especially connected with the fees associated with transactions since the recurrent fees and the management fees increased 4%. The financial margin was also penalized by very low or even negative interest rates and by a decrease in loans to customers.

Operating costs went down 6% in Euros versus June 2015 and 1% in CHF. By the end of the first six months of 2016, the Bank attained a net income of 2.6 million Euros, 21% down if compared with the same period of 2015.

During the last six months of 2016, the Bank will continue to focus its attention on offering its Customers a number of quality and personalized services, providing a safe and autonomous platform supported by an irrevocable commitment of compliance with the risk profile, a strict management of risks and an efficient IT platform. In order to develop its activities, the Bank will carry out the following initiatives:

- Remain focused on the commercial activities, increasing the Client's trust and ensuring the growth of assets under management;
- Strengthen the commercial activity in the markets covered by Millennium Banque Privée;
- Improvement of profitability, increasing the role played by discretionary management.

Millennium Banque Privée

Million euros

	1H 2016	1H 2015	Change % 16/15	1H 2015	Change % 16/15
				excluding FX effect	
Total assets	624	489	27.7%	468	33.2%
Loans to customers (gross)	217	215	1.2%	206	5.6%
Loans to customers (net)	216	214	1.0%	205	5.4%
Customer funds	2,665	2,653	0.5%	2,542	4.8%
Of which: on Balance Sheet	519	339	53.3%	325	60.0%
off Balance Sheet	2,146	2,314	-7.3%	2,217	-3.2%
Shareholders' equity	79	93	-15.5%	89	-11.8%
Net interest income	2.0	2.2	-6.6%	2.1	-1.9%
Other net income	12.2	13.7	-11.2%	13.0	-6.7%
Operating costs	10.8	11.4	-5.6%	10.8	-0.8%
Impairment and provisions	0.0	0.1	-89.7%	0.1	-89.1%
Net income	2.6	3.3	-21.8%	3.2	-17.8%
Number of customers (thousands)	1.7	1.6	0.7%		
Employees (number)	70	71	-1.4%		
Branches (number)	1	1	0.0%		
% of share capital held	100%	100%			

Note: the source of the information presented in this table were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available

FX rates:

Balance Sheet 1 euro =	1.0867	1.0413	swiss francs
Profit and Loss Account 1 euro =	1.1004	1.0472	swiss francs

OTHER INTERNATIONAL BUSINESSES

Mozambique

The 2016 strategic plan intends to strengthen the Bank's leading position in the performance segments and is based on:

- Focus on the ongoing improvement of the quality of service, increasing the number of Customers and branches, developing the remote channels (Millennium IZI, Internet Banking and ATM and POS networks), to better serve its Customers;
- The implementation of the partnership established with Correios de Moçambique, through the opening of joint branches and of Millennium bim branches at premises of Correios de Moçambique, gave Millennium bim the possibility of being near its Customers even in districts where there are no Millennium bim branches;
- The promotion of business actions and the provision of a service of excellence in the Prestige and Corporate segments;
- Excellence in service quality, business origination and the increase in the number of Customers in the Corporate segment.

During the first half of 2016, Millennium bim strengthened its leading position in the banking sector in Mozambique. As part of its general expansion plan, the Bank opened new branches, having now a total of 170 branches, compared to 168 in June 2015. Millennium bim's focus on remote channels led to expanding the network to 468 ATMs and 7,634 POS, a 4% and 17% growth, versus the first half of 2015.

At the same time, in 2016, Millennium bim continued to launch innovative products and services to fully meet the financial needs of its Customers, such as:

- Launching of Smart IZI - an App for Android and iOS smartphones devices, a version of the Mobile Banking Millennium IZI that offers the same tools as the IZI but has a more graphic and intuitive image;
- Launching of the page of Millennium bim in Facebook, with regular updates, including the launching of online challenges (e.g. analysis on the Client's preferences) and disclosure of new products;
- Possibility of making transfers to a mobile phone using the Collections and Payments Service (in batch via file) in online Banking.

The market, once again, recognized and distinguished the value proposal presented by Millennium bim. The Customers trust its products and services, a fact evidenced by the 14% increase registered in the number of Customers, more than 1,551 thousand, versus the first half of 2015.

Following the economic slowdown, the increase in inflation, the downgrade of Mozambican Republic rating, the fast depreciation of Metical and decrease of foreign direct investment, Banco de Moçambique assumed a restrictive policy featured by successive increases of the market reference rate (reaching a total increase of 600 b.p. since December), together with increases in minimum reserves requirements. These factors forced Retail Banking to implement a strict liquidity management policy, focused on customer funds acquisition, despite leading to better net interest income.

Even so, Miilennium bim attained, on 30 June, net earnings of 2.16 billion Meticais, i.e. 36.8 million Euros, 14.1% up versus the first half of 2015, enabling a return on equity of 21.1%. Despite the impact on costs caused by the expansion of the branch network mentioned above, the cost to income ratio stood at 40.8%.

Loans to customers increased 22.7% versus June 2015, reaching 76.1 billion Meticais (1.04 billion Euros, while customer funds increased 14.9%, to 94.0 billion Meticais (1.29 billion Euros).

Millennium bim

Million euros

	1H 2016	1H 2015	Change % 16/15	1H 2015	Change % 16/15
				excluding FX effect	
Total assets	1,739	2,514	-30.8%	1,490	16.7%
Loans to customers (gross)	1,044	1,435	-27.3%	851	22.7%
Loans to customers (net)	974	1,353	-28.0%	802	21.5%
Customer funds	1,290	1,893	-31.9%	1,122	14.9%
Of which: on Balance Sheet	1,290	1,893	-31.9%	1,122	14.9%
Shareholders' equity	291	429	-32.0%	254	14.7%
Net interest income	70.4	74.7	-5.7%	50.2	40.2%
Other net income	37.7	53.6	-29.7%	36.0	4.5%
Operating costs	44.0	55.7	-20.9%	37.5	17.6%
Impairment and provisions	12.2	12.8	-4.7%	8.6	41.7%
Net income	36.8	47.9	-23.3%	32.2	14.1%
Number of customers (thousands)	1,552	1,367	13.5%		
Employees (number)	2,520	2,486	1.4%		
Branches (number)	170	168	1.2%		
% of share capital held	66.7%	66.7%			

Note: the source of the information presented in this table were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available

FX rates:

Balance Sheet 1 euro =	72.8950	43.2150	meticais
Profit and Loss Account 1 euro =	58.6550	39.4546	meticais

Macau

During the first half of 2016, the Branch's guidelines aimed fundamentally at providing services to the Bank's networks by supporting individuals and companies customers of the Bank, having more Chinese Customers, broadening the base of local customers and the expansion of the activity between China – Macau – Portuguese speaking countries focused on the offer of investment banking services.

Amongst the initiatives adopted to consolidate the strategy, we point out the following:

- Helping Portuguese companies operate in Macau for businesses in South China using the Branch as a stepping stone;
- Development of trade finance operations to support Portuguese companies with exports to and/or imports from China;
- Support Chinese customers to, through the Mbcp network, apply for the “golden visa”;
- Increase the contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.

In the first half of 2016, customer deposits stood at 918.4 million Euros and gross loans totalled 612.4 million Euros.

Net earnings amounted to 9.4 million Euros (-13.7% in MOP and -15.2% in Euros), negatively influenced by credit granted (31.8% less) if compared with the same period of 2015.

Cayman Islands

Millennium bcp Bank & Trust, with head office in the Cayman Islands, holds a category "B" banking license, and provides international banking services to Customers that are not resident in Portugal. The Cayman Islands are considered a cooperating jurisdiction by the Bank of Portugal.

Millennium bcp Bank & Trust reported net income of 1.6 million Euros in the first half of 2016, which represents a year-on-year decrease of 64%, influenced by the decrease in net interest income and by the increase in loan impairments.

Millennium bcp Bank & Trust

Million euros

	1H 2016	1H 2015	Change % 16/15
Total assets	713	912	-21.8%
Loans to customers (gross)	43	49	-13.8%
Loans to customers (net)	37	47	-20.8%
Customer funds	406	578	-29.8%
Of which: on Balance Sheet	394	559	-29.5%
off Balance Sheet	12	19	-39.2%
Shareholders' equity	313	342	-8.6%
Net interest income	2.7	4.1	-34.4%
Other net income	0.6	1.4	-53.5%
Operating costs	1.2	1.1	8.9%
Impairment and provisions	0.5	-0.1	> 200%
Net income	1.6	4.4	-63.6%
Number of customers (thousands)	0.2	0.4	-32.1%
Employees (number)	9	12	-25.0%
% of share capital held	100%	100%	

Note: the source of the information presented in this table were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available

OTHER

Millennium bcp Ageas

During the first six months of 2016, the commercial networks showed once again that the bancassurance activity is ever more dynamic. In terms of Non-Life insurances, the bancassurance business increased 10.6%, almost twice as much as the market (5.6%), particularly due to the Health, Multi-risks and Vehicles business lines. This good performance was driven by some commercial initiatives such as the Médis multimedia campaign, an improved Vehicles offer and the campaign for the acquisition of Multi-risk products. All these initiatives had a positive impact on the Retail network which grew 10.3%, and on the Corporate networks which grew 12.0%, globally.

The Life business recorded a total of 643.6 million Euros in premiums, a 17.5% decrease versus 1H2015, due to the markets instability during the first six months of 2016. Even so, Ocidental Vida achieved a better performance than the market, which decreased 31.9% year-on-year.

This performance, exceeding that of the market, was mainly due to the 62.6% increase (versus the same period of 2015) in Unit-Linked products, especially closed ones. At the end of the first half of 2016, Ocidental Vida reached a 19.6% market share in premiums, 4.7 pp up versus the same period last year.

At operating level, Ocidental Vida recorded an 11.9% reduction in the margin. Net income fell 46.8% to 17.6 million Euros mainly justified by impairments in the assets portfolio of 11.7 million Euros (after taxes) and capital losses due to market depreciations amounting to 3.3 million Euros (after taxes).

The implementation of the strategic agenda (Vision 2020) began in the beginning of 2016 with the launching of several projects linked to the four strategic pillars, especially the *bancassurance* distribution model. It is based on the excellence of the services provided to the Customers and the ongoing creation of innovative products enabling bancassurance to continue to be a reference at an international level.

Million euros

Key Indicators	Jun-16	Jun-15	Change
Market Share			
Life	19,6%	14,8%	4,8 pp
Non-life	7,0%	6,7%	0,3 pp
Market share in bancassurance			
Life	25,1%	17,2%	7,9 pp
Non-life	34,7%	33,3%	1,4 pp
Technical margin (1)	57	63	-9.5%
Technical margin net of administrative costs	42	47	-10.6%
Net income (2)	18	33	-46.8%

(1) Before the allocation of administrative costs

(2) Before VOBA (Value of Business Acquired).

PENSION FUND

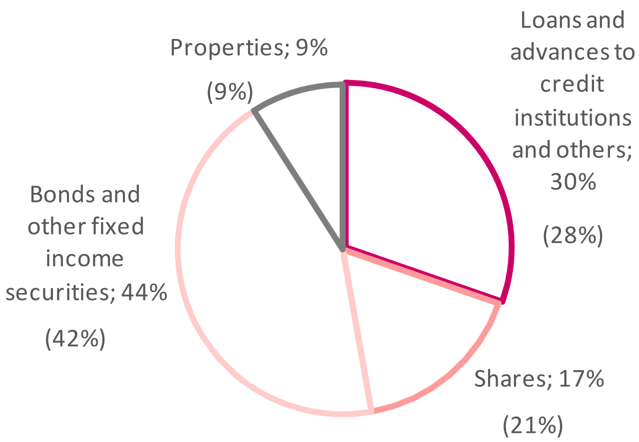
The responsibilities assumed by the Group, related with the pensions on retirement and other benefits, stood at 3,170 million Euros at the first semester of 2016, comparing with 3,136 million Euros as at 31 December 2015. These responsibilities are related, namely, with the payment to employees of pensions on retirement or disability, and were fully funded and kept at a higher level than the minimum set by the Banco de Portugal, presenting a coverage rate of 109%, comparing with 111% at the end of 2015.

At 30 June 2016 the Pension Fund's assets reached 3,138 million Euros and a negative rate of return of -3.3%, which unfavourably compares to the assumed actuarial rate of 2.5%.

The main asset categories in the structure of the Pension Fund, at the end of the first semester of 2016 and at the end of 2015, were as follows:

- The shares represented 17% at 30 June 2016 and 21% as at 31 December 2015;
- Bonds securities increased to 44% at the end of the first semester 2016 versus 42% as at 31 December 2015;
- The Loans and advances to credit institutions and others proportion reached 30% as at 30 June 2016, an increase regarding the 28% reported at the end of 2015;
- The property component represented 9% as at 30 June 2016 in line with the value at 31 December 2015.

Structure of the Pension Fund's assets as at 30 June 2016



(xx%) Proportion as at 31 de December 2015

The main actuarial assumptions used to determine the pension fund's liabilities in 2014, 2015 and for the first semester of 2016 are shown below:

Assumptions	2014	2015	1S 2016
Discount rate	2.50%	2.50%	**2.50%**
Increase in future compensation levels	0.75% until 2017 1% after 2017	0.75% until 2017 1% after 2017	**0.75% until 2017** **1% after 2017**
Rate of pensions increase	0% until 2017 0.5% after 2017	0% until 2017 0.5% after 2017	**0% until 2017** **0.5% after 2017**
Projected rate of return of fund assets	2.50%	2.50%	**2.50%**
Mortality tables			
Men	TV 73/77 - 2 years	TV 73/77 - 2 years	**TV 88/90**
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	**TV 88/90 - 3 years**
Disability rate	Not applicable	Not applicable	**Not applicable**
Turnover rate	Not applicable	Not applicable	**Not applicable**
Costs with health benefits increase rate	6.5%	6.5%	**6.5%**

With effects as at 30 June 2016, the Bank has decided to change the actuarial assumption associated with the Men's mortality table, by applying the TV 88/90 table instead of the TV 73/77 minus two years that was in place until the end of 2015, assuring a calculation of the Pension Fund's actuarial liabilities more suited to the actual reality.

At the same time, the discount rate was kept at 2.5%, considering the Euro zone yields for high quality corporate bonds and the responsibilities duration.

At the first 6 months of 2016, negative financial actuarial differences of 189 million Euros, before taxes, were recorded, including 151 million Euros of non-financial actuarial differences, which negatively influenced the capital ratios as at 30 June 2016.

The main indicators of the Pension Fund as at the end of 2014, 2015 and the first semester of 2016 are as follows:

Main indicators	2014	2015	1S 2016
Liabilities with pensions	3,133	3,136	**3,170**
Value of the Pension Fund	3,095	3,158	**3,138**
Value of the Extra Fund	343	312	**311**
Coverage rate	110%	111%	**109%**
Return on Pension Fund	8.1%	-0.8%	**-3.3%**
Actuarial (gains) and losses	477	111	**189**

BCP RATINGS

Portuguese banks continued to develop its activity in a particularly difficult environment in the 1st half of 2016. The recovery of the Portuguese economy remains moderate and banks operate in an interest rate environment characterized by the very low levels of interest rates, which pressure net interest income. Regarding BCP, the Group has a significant exposure to Poland, where political and legal risks have increased in recent months. Furthermore, the Portuguese economy faces sanctions as a result of failure to comply with the budgetary targets in 2015 and some risks related to the budget execution in 2016 remain, as a result of the expected slowdown in GDP of Portugal's main trading partners and also in Portugal as a result of Brexit and economic difficulties in some countries in Africa, particularly in Mozambique and Angola. There is still some uncertainty about the funding needs of the Portuguese financial system, particularly the CGD.

The Portuguese financial system began in late 2015 a new phase of consolidation after the resolution of Banif, keeping some expectation as to the sale of the New Bank, which may have implications in terms of ratings, for Portuguese banks.

In the 1st half 2016, there were several rating actions by various rating agencies:

Moody's	
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b3
Counterparty Credit Rating LT / ST	Ba2/NP
Deposits LT / ST	B1/NP
Senior Unsecured LT / ST	B1/NP
Outlook	Stable/ Negative
Subordinated Debt - MTN	(P) Caa1
Preference Shares	Caa3 (hyb)
Other short term debt	P (NP)
Covered Bonds	A3

Rating Actions

14 June 2016 - BCP's intrisical ratings upgraded (BCA and BCA adjusted) as well as the counterparty rating (CR): The BCA and the BCA adjusted were upgraded from "Caa1" to "b3" and the counterparty rating from "Ba3" to "Ba2" (4 notches above the BCA). Also the subordinated debt and the preference shares ratings were upgraded from "Caa2" to "Caa1" and from "Ca" to "Caa3", respetively. The deposits rating and the senior unsecured ratings were reaffirmed at "B1". The Outlook on deposits is stable, reflectting the resilience of the franchsise in Portugal, and for the senior unsecured debt is negative, due to the high amount of redemptions that took place in the last years and that could result in pressure to downgrade unless if BCP does not make an issue in the short term, given the expected continuation of the redemption on the senior unsecured debt.

Standard & Poor's	
Stand-alone credit profile (SACP)	b+
Counterparty Credit Rating LT / ST	B+/B
Senior Secured LT / Unsecured LT / ST	B+/B
Outlook	Positive
Subordinated Debt	CCC
Preference Shares	D
Certificates of Deposits	B+/B

Rating Actions

21 March 2016 - Following the decision of reaffirming the Portuguese Republic ratings at "BB+/B" with stable Outllok, the S&P has reaffirmed the ratings on BCP at "B+/B" with positive Outlook, reflecting the stabilization of credit rsik in Portugal, the reduction of the constraints to funding either by the Portuguese Republic either by the Portuguese Banks and the expected reduction of funding costs. The positive Outloook reflects the possibilility of an upgrade in a 12-18 months horizon is BCP is able to diversify its WSF sources to a greater weight of LT resources and to reduce funding costs.

Fitch Ratings	
Viability Rating	bb-
Support	5
Support Floor	No Floor
Deposits LT / ST	BB-/B
Senior unsecured debt issues LT / ST	BB-/B
Outlook	Stable
Subordinated Debt Lower Tier 2	B+
Preference Shares	B-
Covered Bonds	BBB-

Rating Actions

12 May 2016 - Reaffirmed the LT rating of Banco Comercial Português at "BB-", as well as the other BCP ratings. The Outlook is stable.

DBRS	
Intrinsic Assessment (IA)	BB (high)
Short-Term Debt & Deposit LT / ST	BB (high) / R-3
Critical Obligations Rating LT / ST	BBB / R-2
Trend	Stable
Dated Subordinated Notes	BB
Covered Bonds	A (low)

Rating Actions

15 June 2016 - Reaffirmed the LT and ST Critical Obligations at "BBB" and "R-2", respectively, and the intrinsic ratingat "BB (high)". The Outlook in all the ratings is stable.

Risk Management

RISK MANAGEMENT

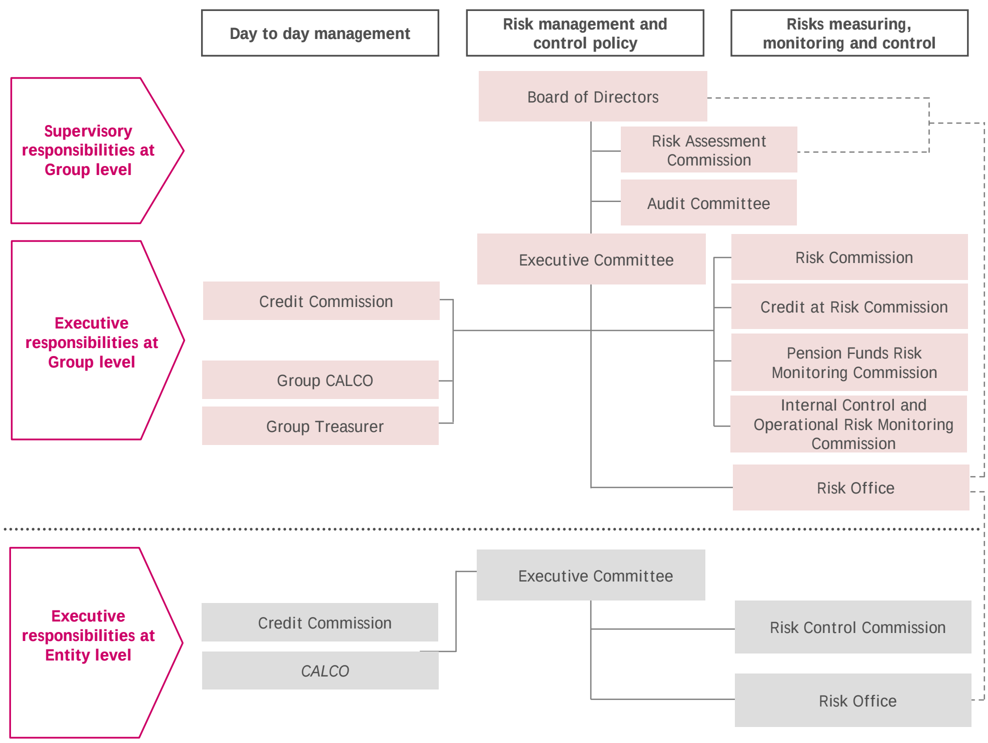
The Group's Risk Management System, as part of the Group's Internal Control System - together with the Internal Audit and Compliance functions – importantly contributes to provide a robust control environment within which the Group develops its business.

In the first half of 2016, the control and monitoring mechanisms for the different risks to which the Group's activities are subject – as well as the risk measuring and assessment instruments – continued to be improved and strengthened in the following areas:

- Implementation of enhancements and recommendations received from the Supervision concerning the credit Risk Weighted Assets (RWA) calculation process;
- Improvement of the reliability and controls of the financial and prudential reporting systems (FINREP and COREP);
- Review and fine-tuning of the Internal Capital Adequacy Assessment Process (ICAAP) and of the Internal Liquidity Adequacy Assessment Process (ILAAP), materialised in the respective reports for 2015;
- Implementation of the risk appetite metrics in Poland and Mozambique;
- Launching of the IFRS9 Project, including the quantitative and qualitative analyses concerning the adoption of the norm, the preliminary estimates concerning the potential impacts over Own Funds (with results transmitted to the European banking Authority - EBA) and the implementation gap analysis;
- Continued implementation of the action plans stemming from the supervisory recommendations concerning the monitoring of IRB models and the market risks framework;
- Launching of a non-performing exposures (NPE) reduction plan in Portugal, involving several areas of the bank;
- Participation in the Single Supervisory Mechanism (SSM) stress-testing exercise.

Risk Management governance

The risk management governance involves various bodies, as illustrated in the diagram below:



The competences and attributions of the bodies intervening in risk management governance (either in management or internal supervision), at Group level - except for the Board of Directors (BoD) and the Executive Committee (EC), are presented in the next sections.

Risk Assessment Commission

The Risk Assessment Commission is composed of four non-executive members of the BoD(*) and has the following capacities:

- Monitoring of the overall levels of credit, market, liquidity and operational risk, ensuring that these are compatible with the objectives, available financial resources and strategies approved for the development of the Group's activity;
- Approval of the Group's 'Risk Appetite', proposing the respective RAS to the BoD, as well as of the Group's Capital and Liquidity Contingency Plan and of the business continuity management plans (Disaster Recovery Plan and Business Recovery Plan);
- Supervision of the ICAAP and monitoring of the RAS indicators, verifying their alignment with the defined thresholds and levels, as well as monitor the action plans designed to ensure compliance with the established risk limits;
- Advising the BoD on matters related to the definition of risk strategy, capital and liquidity management and market risks management.

The Risk Officer has functional reporting duties to this Commission and participates in its meetings, presenting the evolution of the key risk metrics and indicators and of the credit impairment, as well as all incidences, changes and evolutions relative to the Risk Management System.

Audit Committee

The Audit Committee is composed of four non-executive members of the BoD(*).Within the risk management governance, this body stands out for its corporate global monitoring and supervising capacities (e.g. in what concerns the follow-up of the risk levels), as well as for its capacities related with the Internal Control System:

- Control of the Risk Management and the Internal Control Systems' effectiveness (and, also, of the Internal Audit System);
- Issuing of a prior opinion concerning the entity defined by the Bank to assess the adequacy and effectiveness of the Internal Control System.

The Risk Officer participates in this committee's regular meetings, reporting on the evolution of the main indicators and metrics concerning risks and credit impairment, as well as on the implementation status of the recommendations that concern the Risk Management System (within the scope of internal control or issued by the supervisory/regulatory authorities).

Risk Commission

This commission is responsible, at an executive level, for monitoring the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the institution, ensuring that the risk levels are compatible with the objectives, available financial resources and strategies that have been approved for the development of the Group's activity.

This commission is composed of all the members of the EC**(**), the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Internal Audit; International, Treasury and Markets; Research, Planning and ALM; Credit; Rating.

(*) One of the members appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

(**) With a minimum of three Executive Directors.

Credit at Risk Monitoring Commission

This commission has the following duties and responsibilities:

- Monitoring of the evolution of credit exposure and the credit underwriting process;
- Monitoring of the evolution of the portfolio's quality and of the main performance and risk indicators;
- Monitoring of counterparty risk and of the concentration risk of the largest exposures;
- Monitoring the impairment evolution and of the main cases of individual impairment analysis;
- Analysis of the credit recovery processes performance;
- Monitoring of the real estate portfolio divestment.

This commission is composed of three EC members (responsible for the credit, financial and risk areas) and the Heads of the following Divisions: Credit; Risk Office; Rating; Specialised Recovery; Specialised Monitoring; Retail Recovery; Real Estate Business; Legal Advisory and Litigation; Management Information.

Pension Funds Risk Monitoring Commission

The mission of this specialised commission is the monitoring of the performance and risk of BCP's Pension Fund and the establishment of appropriate investment policies and their respective hedging strategies.

This commission is composed of three members of the EC (one of these being the responsible for the insurance area), the Risk Officer, the head of the Human Resources and of the Research, Planning and AML Divisions and, through invitation, the CEO of Millenniumbcp Ageas, the CEO of Ocidental SGFP and a representative of F&C.

The commission has the following competences:

- Assess the performance and risk of the Group's Pension Fund;
- Establish the appropriate investment policies.

Internal Control and Operational Risk Monitoring Commission

This commission is composed of three EC members, the Risk Officer, the Compliance Officer and the Heads of the Internal Audit, IT and Operations Divisions. Depending on the specific subjects concerning processes to be addressed by this commission, macro-process owners will participate in the meetings.

The commission has the following competences:

- Analysing the metrics concerning the exposure to operational risk and the performance of the intervenient ('1st and 2nd lines of defence') that manage this risk;
- Analysing the materially relevant events and assessment of the proposed mitigation measures;
- Analysing the effectiveness of the risk transfer mechanisms (insurance contracting and outsourcing);
- Monitoring of the Group entities' Internal Control Reports' preparation;
- Monitoring of the evolution and resolution of the deficiencies identified within the scope of the assessment of the Internal Control System;
- Assessing proposals on processes improvement aiming at the reinforcement of the internal control environment;
- Ensuring the monitoring of the processes' risk levels, efficiency and productivity indicators;
- Promoting an operational risk management culture.

Credit Commission

This commission's functions are to assess and decide on credit granting to Customers of Banco Comercial Português, in accordance with the competences established by an internal regulation ('Credit Granting, Monitoring and Recovery'). This commission also issues advisory opinions on credit proposals from subsidiary Group entities.

The Credit Commission is composed of all of the EC members(*), the Risk Officer, the Compliance Officer, the Company's Secretary, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas. The Heads of the following Divisions are also members of this commission: Credit; Specialised Monitoring; Legal Advisory and Litigation; Investment Banking; Real Estate Business; Rating; Specialised Recovery; Retail Recovery.

Group CALCO

The Group CALCO is responsible for the management of the Group's overall capital, for assets and liabilities management and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO (also referred to as the Capital, Assets and Liabilities Management Commission) is responsible for the structural management of interest rate and liquidity risks, including, among others, the following aspects:

- Monitoring and management of the interest rate risk associated to the assets and liabilities structure;
- Planning and proposals of capital allocation;
- Preparation of proposals for an appropriate definition of liquidity and interest rate risk management policies, at the level of the Group's consolidated balance sheet.

The Group CALCO is composed of all the members of the EC(*) and the heads of the following Divisions: Research, Planning and ALM; Risk Office; Large Corporate; Companies and Corporate; Management Information; Companies Marketing; Retail Marketing; International, Treasury and Markets; Investment Banking; Business Development (upon invitation). Other persons, according to the matters addressed, may be requested to participate in the Group CALCO.

Risk Officer

The Head of the Risk Office is responsible for the coordination of the risk control function for all Group entities. Thus, in order to assure the monitoring and alignment of concepts, practices and objectives, the Risk Officer is responsible for informing the Risk Commission on the general risk level and to propose measures to improve the control environment and to implement controls which assure compliance with the approved limits. The Risk Officer has veto power concerning any decision that is not subject to the approval of the BoD or EC and might have an impact on the Group's risk levels. These duties include:

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of metrics for the different types of risk;
- Ensuring the existence of a body of rules and procedures to support risk management;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;
- Ensuring the existence of an effective IT platform and a database for the robust and complete management of risk;
- Participating in all decisions of relevance to risk and with an impact on the internal control system, having an empowerment to ensure compliance with the Group's regulations and goals concerning risk;
- Preparing information relative to risk management for internal and market disclosure.

The Risk Officer is appointed by the BoD and supports the work of the Risk Commission, the Credit at Risk Monitoring Commission and the Pension Funds Risk Monitoring Commission.

Credit risk

(*) With a minimum of three Executive Directors and mandatory participation of the responsible for credit and of the Directors from proponent areas (or the alternate Directors of credit and the proponent areas).

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations.

This type of risk, which is very relevant and highly representative in terms of the Group's overall exposure to risk, is particularly incident in adverse macroeconomic conditions.

Control and mitigation of this risk are carried out, on the one hand, through a solid structure of risk analysis and assessment (using internal rating systems suited to the different business segments and a model for the early detection of potential default of the portfolio) and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the non-performance occurrences.

Evolution and breakdown of the loan portfolio

As illustrated in the table below, the Group's credit portfolio - measured in terms of Exposure at Default (EAD) and Euros, for the 3 main countries where it operates (Portugal, Poland and Mozambique, that represented 99.0% of the credit portfolio as at 30 June 2016) registered an increase of around 660 million Euros (+1.0%) between 31/12/2015 and 30/06/2015.

(millions of Euros)

Country	Jun 16	Dec 15	Change	
			Amount	%
Portugal	**50,536**	**48,743**	**1,793**	**3.7%**
Poland	**15,533**	**15,986**	**-454**	**-2.8%**
Mozambique	**1,840**	**2,519**	**-679**	**-27.0%**
PT+PL+MZ	**67,908**	**67,248**	**660**	**1.0%**

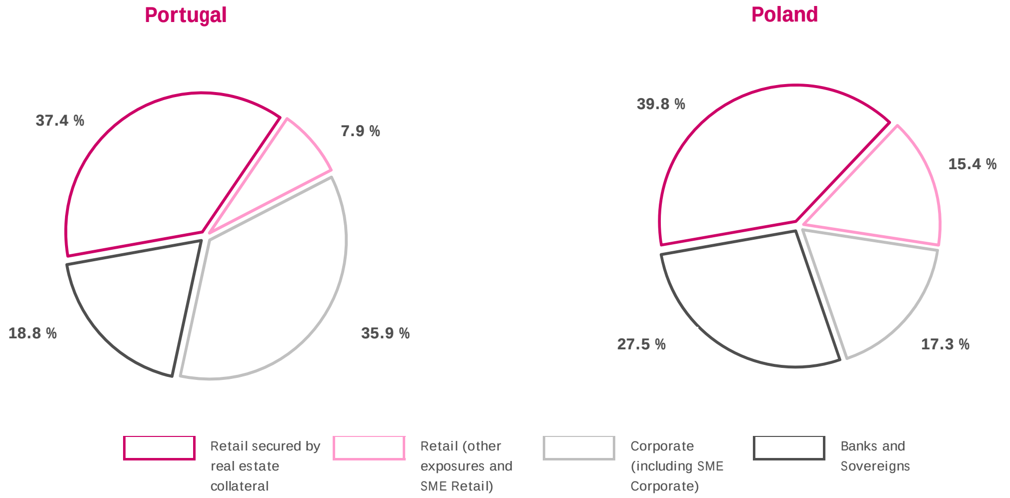
In Portugal, the portfolio growth was of around 1,800 million Euros, due to the significant increase of the “Banks and Sovereigns” segments (around + 3,100 million Euros in the first six months of 2016) since in the two main segments of the credit portfolio – Corporate and Retail Mortgages - there was a contraction of credit exposure of around 879 million Euros (-4.6%) and 396 million Euros (-2.0%), respectively. Hence, excluding the exposure to Sovereigns and Banks, which has a great variability, the tendency for a slight reduction of the credit portfolio in Portugal remained.

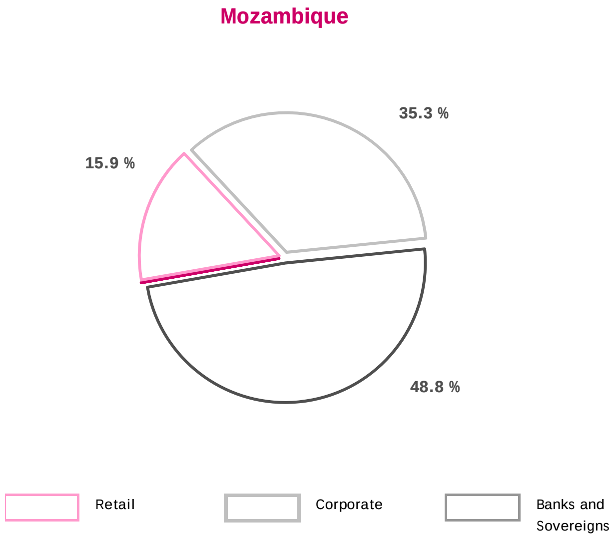
In Poland and Mozambique there were decreases in the credit portfolios as the result of the exchange rate evolution of the respective currencies against the Euro. Indeed, in Poland, the Zlotys-expressed portfolio (representing around 66% of the portfolio in Euros) registered a growth of 0.8%, while the Swiss Francs-expressed portfolio (representing around 27% of the portfolio in Euros and relative to mortgage loans granted in that currency) registered a decrease of around 2.9%.

Therefore, the global portfolio decrease verified for this geography (in Euros) stemmed from the Zloty depreciation against the Euro (of around 4% in the first half of 2016) and from the natural amortization of the mortgage portfolio in CHF (since the granting of mortgage loans in Swiss Francs is no longer a Bank Millennium’s policy for quite a while).

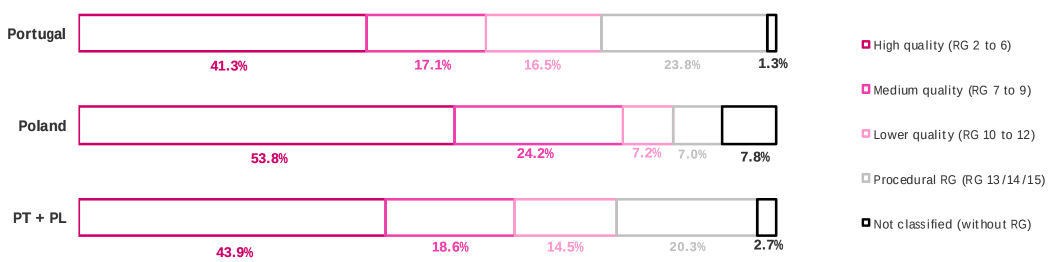
In Mozambique, the credit portfolio reduction verified between 31/12/2015 and 30/06/2016 is not exclusively justified by the strong devaluation of the Metical against the Euro (- 42.5% in those six months), nor by the extensive reduction in the “Banks and Sovereigns” segments (representing around 55% of the global contraction in Euros): the economic troubles in this geography have decisively influenced the evolution of the local credit portfolio (which represented, in Euros, 2.7% of the Group’s global EAD as at 30/06/2016, against 3.7% as at 31/12/2015).

The breakdown of the portfolios in these 3 geographies zones, as at 30 June 2016, is illustrated by the following graphs:





In Portugal there was an increase in the weight of "Banks and Sovereigns" (with a highlight on the volatility of the exposure volume of these segments) while in Poland and Mozambique the portfolio structure by segments has not registered relevant changes. The distribution of EAD by internal risk levels (RG) as at 30 June 2016, attributed in Portugal and Poland, was the following:



(Not included: exposures to Banks and Sovereigns and Specialised Lending)

The exposure (EAD) distribution by internal rating grades had a positive evolution from December 2015: the weight of the high and medium quality grades was of 62.5% by 30/06/2016, comparing with a weight of 61.7% on 31/12/2015. On the other hand, in Portugal, the weight of these high/medium quality grades remained practically constant (around 58.4% by 30/06/2016) but there was a reduction in the weight of the medium quality grades (18.1% on 31/12/2015 vs. 17.1% on 30/06/2016) countered by an increase in the weight of the high quality grades (40.4% on 31/12/2015 vs. 41.2% on 30/06/2016).

Main credit risk indicators

The table below illustrates the quarterly evolution of the main credit risk indicators between June 2015 and June 2016, for the Group and for the portfolios of Portugal, Poland, Angola and Mozambique.

	Jun 16	Mar 16	Dec 15	Sep 15	Jun 15
Group					
Non-performing Loans/Total Loans	6.9%	6.7%	6.6%	6.8%	6.8%
Past due Loans (> 90 d)/Total Loans	10.5%	10.1%	10.0%	10.5%	11.0%
Impairment/Total Loans	6.6%	5.9%	5.8%	6.0%	6.0%
Portugal					
Non-performing Loans/Total Loans	8.3%	8.2%	8.1%	8.2%	8.4%
Past due Loans (> 90 d)/Total Loans	12.8%	12.3%	12.2%	12.7%	13.5%
Impairment/Total Loans	7.6%	6.7%	6.7%	6.8%	6.9%
Poland					
Past due Loans (> 90 d)/Total Loans	2.5%	2.5%	2.7%	2.9%	2.9%
Impairment/Total Loans	2.9%	2.9%	3.0%	3.0%	3.0%
Mozambique					
Past due Loans (> 90 d)/Total Loans	4.0%	5.1%	4.7%	4.7%	3.9%
Impairment/Total Loans	5.5%	5.6%	5.0%	4.9%	4.7%

For the annual period ending in 30 June 2016, there was an improvement in the ratio ‘Past due Loans (> 90 d)/Total Loans’ at Group level, for which contributed the indicators both in Portugal and Poland. In what concerns the ‘Impairment/Total Loans’ ratio, its evolution along the first six months of 2016 was determined by the decision to reinforce, to a relevant extent, the impairment levels of a set of clients in Portugal, by 30 June.

Credit concentration risk

The figures concerning credit concentration as at 30 June 2016 - measured by the weight of the 20 largest exposures (EAD), excluding Banks and Sovereigns, over total exposure - are presented in the following table:

Customer Groups	EAD weight in total EAD
Group 1	1.8%
Group 2	1.6%
Group 3	0.7%
Group 4	0.6%
Group 5	0.5%
Group 6	0.5%
Group 7	0.4%
Group 8	0.4%
Group 9	0.4%
Group 10	0.4%
Group 11	0.4%
Group 12	0.4%
Group 13	0.3%
Group 14	0.3%
Group 15	0.3%
Group 16	0.3%
Group 17	0.3%
Group 18	0.2%
Group 19	0.2%
Group 20	0.2%
Total	**10.4%**

The weight of 10.4% compares with 10.6% by the end of 2015; hence, there was a slight improvement in credit concentration, measured this way. It should also be noted that the global EAD amount of these 20 largest exposures had a decrease of around 295 million Euros, between 31/12/2015 and 30/06/2016.

Operational risk

Operational risk consists in the occurrence of losses as a result of failures or inadequacies of internal processes, systems or people, or as a result of external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. This framework has a variety of features, such as: functions' segregation; lines of responsibility and respective authorisations; exposure definition and tolerance limits; ethical codes and codes of conduct; risks self-assessment (RSA) exercises; key risk indicators (KRI); access controls (physical and logical); reconciliation activities; exception reports; contingency plans; contracting of insurance; internal training on processes, products and systems.

Operational risk management structure

The operational risk management system is based on a structure of end-to-end processes, considering that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and to estimate the effects of the corrective measures introduced for its mitigation. Furthermore, this processes model also underlies other strategic initiatives related to the management of this risk, such as the quality certification of the main products and services offered, or the actions to improve operating efficiency and the management of business continuity.

Hence, all the Group's subsidiaries where this framework is implemented have defined their own processes structure, which is periodically adjusted according to business evolution, in order to ensure suitable coverage of the business activities (or business support activities) developed.

The responsibility for the processes management was entrusted to process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective key risk indicators, to perform the risks self-assessment exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment.

Operational risks self-assessment (RSA)

The objective of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the worst case event that might occur in each process, for three different scenarios. This allows for:

- The assessment of the risks exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- The determination of the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- The identification of the impact of the improvement opportunities in the risk reduction of the most significant exposures (Target Risk).

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

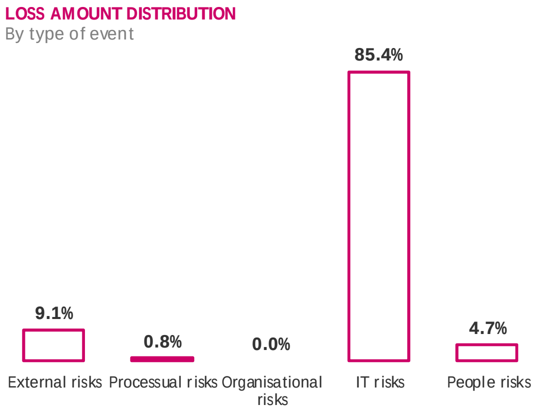
Operational losses capture

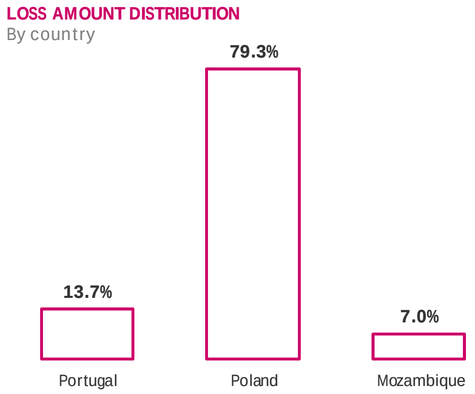
The operational losses data capture (i.e. the identification, registration and characterisation of operational losses and of the events that originated the losses), carried out by the Group for the operations covered by the operational risk management framework, aims to strengthen the awareness of this risk and to provide relevant information to process owners, for incorporation within their processes' management. As such, it is an important instrument to quantify risk exposures. It should also be mentioned that data on operational losses is used for the back-testing of the RSA results, enabling the evaluation of the assessment made on each risk subtype, within each process.

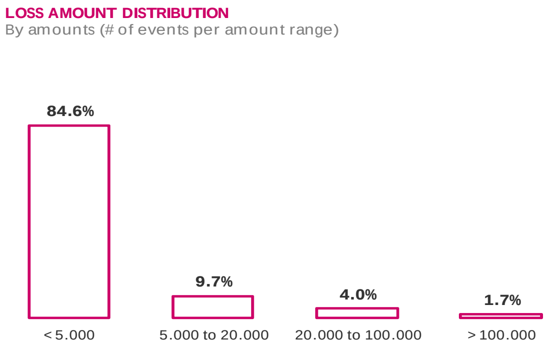
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related. Besides the description of the respective cause-effect, this characterisation includes the valuation of the loss and, when applicable, a description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause).

The profile of the captured losses in the first six months of 2016 (and registered in the losses database) is presented in the following charts:







Key risk indicators (KRI)

KRI draw attention to changes in the profile of the operational risks or in the effectiveness of its control, enabling the identification of the need to introduce corrective actions within the processes, so as to prevent potential risks from materialising into effective losses. The use of this management instrument has been extended to increasingly more processes, and covers the most relevant ones in the main Group operations (Portugal, Poland and Mozambique).

Business continuity management

The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communication infrastructures.

Both of these plans are defined and implemented for a series of critical business processes, and are promoted and coordinated by a dedicated structural unit, whose methodology is based on a principle of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

These continuity plans are regularly tested and updated, through exercises aimed at improving and deepening the coordination between emergency response, technological recovery, crisis management and business recovery. In the first half of 2016, four business recovery and one technological recovery exercises were carried out.

Insurance Contracting

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks. The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Risk Commission and authorised by the EC.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio, as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

There has been a continuous reinforcement and improvement of the internal control framework for market risks, including, within this scope, the implementation of recommendations issued by the internal control areas following auditing and validation works or issued by supervisory entities, also referring to the best risk management practices or to regulatory changes.

Market risks of the trading book[•]

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the

[•] Positions allocated to the Trading Management Area (and not specifically to the trading book in accounting terms).

measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, in a manner similar to that considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

It should be referred that, from the end of April 2016 onwards, with the merger of Banco Millennium Angola (BMA) and Banco Privado Atlântico, the Group ceased to consolidate the Angolan unit through the integral method, but the market risks figures presented still include BMA, until that date.

The following table presents the values at risk for the trading book, between 31 December 2015 and 30 June 2016, assessed through the methodologies above mentioned, showing that the risks, for the Group, remained at controlled levels.

(thousands of Euros)

	Jun 16	Average	Max	Min	Dec 15
Generic risk (VaR)	4,706.1	4,198.6	6,518.8	2,338.6	3,012.8
Interest rate risk	1,948.1	1,733.1	1,979.2	1,732.5	1,663.2
FX risk	3,734.8	3,696.3	6,217.8	1,584.2	2,420.8
Equity risk	49.9	86.2	27.4	23.6	41.5
Diversification effects	*1,026.8*	*1,316.9*	*1,705.6*	*1,001.7*	*1,112.7*
Specific risk	381.8	609.8	1,040.9	375.6	727.0
Non-linear risk	97.4	78.1	769.1	3.5	104.1
Commodities risk	17.1	13.8	46.7	11.1	12.8
Global risk	5,202.4	4,900.4	6,940.6	3,201.3	3,856.6

Notes:

- Holding term of 10 days and 99% of confidence level.

- Consolidated positions from Millennium bcp, Bank Millennium (Poland), Banco Internacional de Moçambique and Banco Miillennium Angola (until Apr 16).

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

The hypothetical backtesting exercise of the VaR model for the trading book, between 01/07/2015 and 30/06/2016, resulted in 4 value excesses over the results predicted by the model (2 positives and 2 negatives), representing a frequency of 1.6% in 258 days of observations. This result confirms the appropriateness of the model at stake, since the expected value for the maximum number of bilateral excesses was of 5 (2% of 258 observations).

Stress tests on the trading book

As a complement to the VaR calculation, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identify risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss. The results of these tests on the Group's trading book, as at 30 June 2016, were as follows:

(millions of Euros)

Standard scenarios tested	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 bps	-100 bps	-4.4
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 bps	-25 bps	-0.9
Combinations of the previous 2 scenarios	- 100 bps and - 25 bps	-3.4
	- 100 bps and + 25 bps	-5.4
Variation in the main stock market indices by +/- 30%	-30%	-0.1
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-6.5
Variation in swap spreads by +/- 20 bps	+ 20 bps	-0.2
Non-standard scenarios tested	**Negative results scenario/used scenario**	**Result**
Widening/narrowing of the bid-ask spread	Narrowing	-11.2
Customized scenario (1)		-3.4
Historical scenarios (2)	07/04/2011	0.0
	22/09/2011	-2.1

(1) The main historical risk factors (within a 3 year horizon) are applied as a simulation over the current portfolio, sothat the potential impacts of those factors are measured.

(2) In these scenarios, past crisis market changes are applied over the current portfolio; in the cases at stake, there was great volatility of the portuguese public debt yields.

These results show that the exposure of the Group's trading book to the different risk factors considered is relatively limited, and that the main adverse scenario at stake is the currencies devaluation against the Euro and the decrease of the interest rate levels, especially when accompanied by an increase in the slope of the yield curve.

This sensitivity of the trading book to interest rate risk (in terms of a parallel shift of the yield curve) inverted its sense, as at 30 June 2016, in relation to the end of the previous year.

Interest rate risk in the banking book

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of the positions registered in the information systems, with the respective expected cash-flows being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

This analysis, reported to 30 June 2016 and based on the calculation of the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of this mismatch discounted at a level of rates with +100 basis points (for all periods), results in an impact of approximately 4 million Euros for the total positions denominated in Euros. The following table shows the breakdown of this impact by each of the banking book's management areas and for the different residual terms of the positions in question.

IMPACT OF A +100 BPS PARALLEL SHIFT OF THE YIELD CURVE

Repricing gap in EUR

	Repricing terms-to-maturity					
	< 1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	> 7 Y	Total
Commercial area activity	7,693.5	89,896.7	367,531.5	-5,213.1	-64,283.9	395,624.6
Structural area activity	26,815.1	1,242.3	10,662.6	5,733.0	-7,315.5	37,137.4
Subtotal	**34,508.6**	**91,139.0**	**378,194.1**	**519.9**	**-71,599.5**	**432,762.1**
Hedging	-33,823.6	-137,734.8	-288,451.0	6,329.5	29,432.8	-424,247.0
Commercial and Structural total	**685.0**	**-46,595.8**	**89,743.1**	**6,849.4**	**-42,166.6**	**8,515.1**
Funding and hedging	33,742.2	1,192.6	-101.1	-5,230.9	-3,757.8	25,844.9
Investment portfolio	-28,247.5	626.1	-3,877.5	1,527.3	10,669.5	-19,302.1
ALM	12,284.1	59,608.6	247,957.9	-278,567.5	-52,311.0	-11,027.8
Banking Book total (Dec 2015)	**18,463.8**	**14,831.6**	**333,722.3**	**-275,421.7**	**-87,565.9**	**4,030.1**
Banking Book total (Dec 2014)	-21,884.4	106,101.1	200,281.6	-210,221.2	-64,411.5	9,865.4
Impact of a -100 bps parallel shift of the yield curve (*)						
Banking Book total (Dec 2015)	**1,057.8**	**3,213.9**	**38,324.8**	**-19,194.9**	**54,387.9**	**77,789.5**

(*) Scenario is limited to non-negative interest rates (implying effective chages smaller than 100 bps, particularly in the shorter terms).

The positions at risk which are not subject to specific market hedging operations are transferred internally to two market areas (Funding and ALM), thus becoming an integral part of the respective portfolios. As such, they are assessed daily based on the market risk control model for the trading book already identified (VaR).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations.

As at 30 June 2016, the Group's financial holdings in USD, CHF and PLN were hedged (partially, in the last case). On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, for entities which have financial holdings with exchange rate risk, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology (partial, for CHF).

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

Liquidity risk

Liquidity risk is the potential inability of the Group to meet its liabilities concerning funding repayment without incurring in significant losses, whether due to the deterioration of funding conditions (funding risk) or due to the sale of assets for amounts below market value (market liquidity risk).

In the first half of 2016, in consolidated terms, there was an increase of the wholesale funding (WSF) needs, of 2,599 million Euros, mainly stemming from the reinforcement of the Portuguese sovereign debt portfolio and from the increase in the liquidity deposited ant Banco de Portugal, as well as from the reinforcement of the corporate debt portfolio.

Since the refinancing of medium/long term funding operations was limited to 256 million Euros (relative, essentially, to anticipated repurchases), the increase in funding needs from December 2015 mainly concerned (i) increases in the net balance of short-term operations with financial institutions and collateralised by securities, in Portugal (of 2,114 million Euros, to 3,084 million Euros), (ii) the increase of the balance of medium/long term banking loans (of 279 million Euros, to 1,298 million Euros) and (iii) the increase in borrowing from the Eurosystem (of 217 million Euros, to 5,700 million Euros).

In net terms, the collateralised funding provided by the ECB reduced 426 million Euros in relation to December 2015, to 4,876 million Euros. This has allowed for the maintenance of the liquidity buffer at comfortable levels (7,875 million Euros).

The table below illustrates the WSF structure, as at 31 December 2015 and 30 June 2016 and, in terms of the relative weight of each of the instruments used:

Liquidity breakdown
(Wholesale funding)

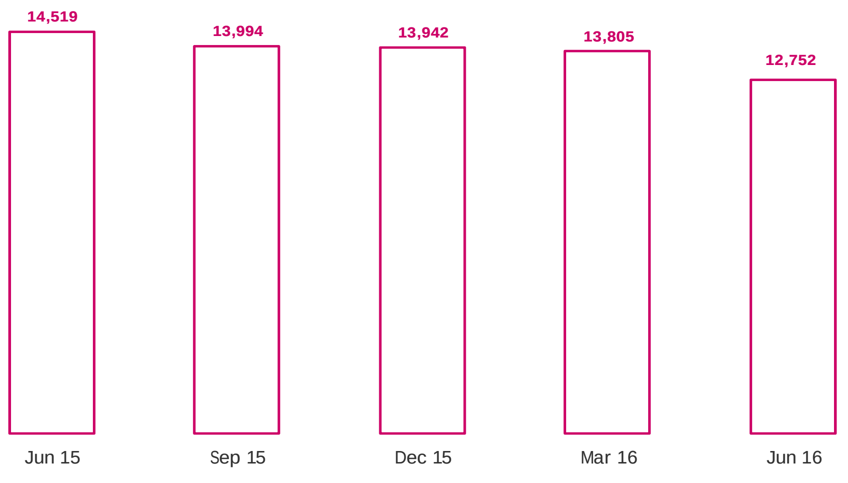
	30 Jun 16	31 Dec 15	Weight chg.
MM	3.7%	3.4%	0.3%
ECB	42.7%	50.3%	-7.6%
CoCo's	5.6%	6.9%	-1.3%
Commercial Paper	1.3%	1.7%	-0.4%
Repos	22.8%	8.9%	13.9%
Loan agreements	9.6%	9.4%	0.3%
Schuldschein	0.3%	1.0%	-0.7%
EMTN	2.5%	4.1%	-1.7%
Equity Swaps	0.0%	0.0%	0.0%
Covered bonds	9.6%	11.9%	-2.3%
Subordinated debt	1.9%	2.3%	-0.5%
TOTAL	**100.0%**	**100.0%**	

The highlight concerning the evolution of the funding structure in the first half of 2016 should be on the decrease of the ECB funding and the relevant increase of Repos.

The Group's WSF structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

The evolution of the discountable collateral portfolio (at the ECB) is illustrated by the following chart:

ELIGIBLE ASSETS FOR DISCOUNTING AT THE ECB (*)
After haircuts (millions of euros)



(*) Total portfolio, considering eligible assets that are included and not included in ECB's pool of monetary policy.

Control of liquidity risk

For short term time horizons (up to 3 months), the control of the Group's liquidity risk is carried out daily based on two internally defined indicators: the immediate liquidity indicator and the quarterly liquidity indicator, which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering cash flow projections for periods of 3 days and of 3 months, respectively.

These indicators, as at 30 June 2016, registered a null value in the treasuries of Portugal and Poland, which means that there were liquidity surpluses in these geographies, both immediately, as well as for a 3-month period. This reflected a prudent management of the Group's treasuries, concerning this risk.

At the same time, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulations, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (102.4% as at 30 June 2016), the medium-term liquidity gaps and the coverage ratios of WSF by highly liquid assets (HLA).

Capital and Liquidity Contingency Plan

The Capital and Liquidity Contingency Plan defines the priorities, responsibilities and specific measures to be taken in the event of a situation of a liquidity contingency. This plan is reviewed at least once a year.

This plan defines the objective of maintaining a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as all action lines and triggers aimed at timely decision-making in adverse scenarios, either anticipated or observed.

The Capital and Liquidity Contingency Plan includes an early warning system, aimed at anticipating the occurrence of possible capital and liquidity crises, which combines 32 indicators concerning liquidity, capital, assets quality and other risks material to the Group. Under this warning system, this composite indicator is quantified weekly, with its evolution being monitored by the Group CALCO, the Research, Planning and ALM division, the Group Treasurer and the Risk Officer.

Pension Fund risk

This risk arises from the potential devaluation of the assets of the Defined Benefit Fund or from the reduction of their expected returns, as well as from actuarial losses that may be registered, due to the demographic factors evolution in relation to the actuarial assumptions considered. If confronted by scenarios of this nature, the Group would have to make unplanned contributions in order to maintain the benefits defined by the Fund.

The Pension Fund Risk Monitoring Commission is responsible for the regular monitoring of this risk.

In the first half of 2016, the Pension Fund registered a time-weighted return rate (TWR), net of management and deposit fees, of -3.3%. This resulted from the negative return of the equities component (as a consequence of the devaluation of the main stocks positions) and in the components of real-estate assets and variable interest rate. The fixed interest rate and alternative investments components had a positive evolution in this period, continuing to benefit from, respectively, an attractive investment yield and a good performance by the private equity funds.

On the other hand, there was a change in the actuarial tables used (considering greater longevity for the masculine population), with a negative impact over the actuarial gaps.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is a key component of the Group's risk management, aimed at identifying the capital needed by the Group to appropriately cover the risks in which it incurs by developing its business strategy – both current and projected for the medium term.

The results of the ICAAP allow the Bank's management bodies to test if the Group's capitalization is appropriate for the risks stemming from its activities and if the strategic plan and budget are sustainable in the medium term and comply with the risk limits defined in the Risk Appetite Statement (RAS) approved for the Group.

The ICAAP stems from a prospective vision of the impact estimates concerning the occurrence of risks over the Bank's capital, considering their scale or dimension, complexity, frequency, probability and materiality, against a background consisting of the medium term (3 years) projection for the developments of the Group's activities, considering a base scenario and a stress scenario; the latest, with a severely negative evolution of macro-economic indicators in order to test the Group's resilience and the appropriateness of the capital levels to cover the risks to which its activity may become subject.

The ICAAP benefits from an internal governance model that ensures the involvement of the BoD and of its Risk Assessment Commission, of EC and of the Group's top management, along the various stages of the process.

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject. For this purpose, the Group used a methodological approach based on an internal list of risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures. Besides all risks considered to be material, the Group integrates in the ICAAP all of Basel's Pillar I risks, even if these do not attain levels that are considered to be material, at Group level. The result of this stage is the identification of risks to be incorporated in the ICAAP, which will also be helpful in defining the variables to be considered for the establishment of the base and the stressed scenarios, ahead mentioned.

In the second stage, the base and stressed scenarios that make up the ICAAP's framework are defined. While the base scenario represents the Group's vision on the most probable evolution of the business constraints in the medium term, the stressed scenario incorporates extreme conditions, with low probability of occurrence but with severe impact over the Group's activity.

In the third stage of the ICAAP, the impact of the main risks within the scope of the stress testing tools is modelled, considering a significance level of 99.9% for the majority of risks. Some risks more difficult to measure are incorporated in this framework as a capital add-on.

Within the ICAAP for 2016, the Group has considered the following risks as materially relevant after mitigation effects:

Credit risk	Counterparty credit risk Credit default risk Issuer credit risk Sovereign risk Transfer risk
Concentration risk	Sector Single name
Liquidity risk	Asset illiquidity risk
Market risk	CVA risk FX rate risk in the Banking Book Interest rate risk in the Banking Book Traded market risk
Business risk	Economic risk Strategic risk Financial participations risk
Model risk	Regulatory risk
Operational risk	Clients, products & business practices Damage to physical assets Business disruption and system failures Execution, delivery & process management Fraud risk Employment practices and workplace safety Model risk
Reputational risk	Industry-wide reputational risk
Other risks	FX conversion risk in Poland Insurance reputation risk Insurance risk Litigation risk Pension funds risk Real estate risk Deposits guarantee fund risk Resolution fund risk

Although it is essentially an annual process, the ICAAP is updated at least wherever the changes in capital projections or the circumstances demand it.

These risks are modelled within the Group's stress testing framework, producing estimated impacts over the capital levels, either through the impact on the P&L or through changes in RWA.

For 2016, the Group has considered a consolidation perimeter that excluded Banco Millennium Angola, assuming a minority participation in the institution resulting from the merger of this bank with Banco Privado Atlântico that took place in the first half of the year.

After the estimation of impacts of the risks over P&L and the Group's balance-sheet – especially, in what concerns its Own Funds – the Group is able to assess the appropriateness of its risk absorption capacity, vis-à-vis its expected activity profile.

The Group adopts a Risk Taking Capacity (RTC) level that is in line with the regulatory capital ratios defined by the CRD IV (Directive 2013/36/EU), the CRR (Regulation (EU) 575/2013) and Banco de Portugal's regulation Notice no. 6/2013, with complementary capital instruments, ensuring adequate conservatism levels in what concerns the approach to the projections of consolidated Own Funds (Tier 1 and Tier 2).

The ICAAP's results are tested against the regulatory capital ratio limits approved by the BoD, within the scope of the Group's RAS.

Finally, it should be referred that the ICAAP results show that the current capitalisation levels are appropriate for a 3-year horizon, either under the base scenario or the stressed scenario.

Models Validation and Monitoring

In the first half of 2016, the Models Validation and Monitoring Office (GAVM) was created – following a previous structure unit whose function was the control of models, having now an enlarged responsibility scope, concerning the models' monitoring – for the independent validation of the credit risk systems (Rating Systems), of the market risks systems (and also for the advanced methodologies used within those systems) and of the ICAAP, also ensuring the registration and monitoring of the models used. Within the scope of its functions, GAVM interacts with the models' and rating systems' owners, with the Validation Committees and with the Risk Commission.

During the first half of 2016, several validation and monitoring actions were performed, as planned. These actions aim to monitor and expand the knowledge about the quality of the systems and models, reinforcing their capacity of identification and reaction to changes in their respective predictive capacities, in order to ensure confidence in their use and performance and to confirm their compliance with the regulatory provisions in force.

Within the scope of the annual validation processes, the most significant models refer to the probability of default (PD) for the Small, Mid and Large Corporate segments in the Corporate risk class, for the Real Estate promotion segment and for the Small Business and Mortgage Loan segments in the Retail risk class, as well as to the loss given default (LGD) model and credit conversion factors (CCF) model in the Retail and Corporate risk classes.

Validation actions concerning extensions and changes for advanced methods within the scope of the Group's established IRB Roll Out Plan were also performed.

Exposure to Activities and Products Affected by Financial Crisis

The Group's portfolio does not have any material investments in complex financial products.

The Group carries out transactions with derivatives mainly to hedge structured products for Customers (guaranteed capital and other products), risks stemming from the Bank's day-to-day business, including the hedging of interest rate risk and exchange rate risk. The trading activity of the Group's own portfolio in derivatives is immaterial insofar as Group profits or risk exposure are concerned.

Over the years, the Group has carried out securitisation operations based on loans to individuals (mortgage loans and consumer credit) and loans to companies (current accounts and leasing). Credit securitisation is used as a liquidity and capital management tool, aimed at financing the Group's business and, under certain circumstances, to release capital. The Group has a very limited exposure to Special Purpose Entities (SPE), apart from that arising from its own securitisations and normal credit business, as described in the Notes on Accounting Policies and on Loans to Customers of the Consolidated Financial Statements. Furthermore, the accounting policies relative to SPE and securitisations have not been altered over the past 12 months.

The international financial crisis revealed structural imbalances in State expenditure in many jurisdictions of the world, including Greece, Ireland and Portugal. As at 30 June 2016, the Group's net exposure to Portuguese sovereign debt was 5.3 billion Euros, net exposure to Italian sovereign debt was 51 million Euros and net exposure to Spanish sovereign debt was 39 million Euros. Of the total of 8.5 billion Euros of consolidated public debt, 0.5 billion Euros was recorded under the portfolio of financial assets held for trading and booked at fair value through results and 8.0 billion Euros under the portfolio of financial assets available for sale and held to maturity. Further information on exposure to the sovereign debt of countries of the European Union in bailout situations is presented in Note 54 to the Consolidated Financial Statements.

The Group's accounting policies are described in Note 1 to the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2015. Further information on valuation of financial assets and risk management is presented in the Notes on Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, Other reserves and Retained earnings; Fair value and Risk Management in the Report referred to above.

Internal Control System

The Internal Control System is defined as the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the continuity of the business and survival of the Group, namely through an adequate management and control of the risks of the activity, through a prudent and correct assessment of the assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the Supervisory entities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, shareholders, employees and supervisors.

In order to achieve these objectives, the Internal Control System is based on the Compliance function, the Risk Management function and Internal Audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three Divisions are appointed by the Bank's Board of Directors, with the favourable opinion of the Nomination and Assessment Commission, which approves their technical and professional profiles as appropriate for the function at stake.

The Internal Control System is based on:

- An adequate internal control environment;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action; and
- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management board, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The Internal Control System includes the following subsystems: the Risk Management System, the Information and Reporting System and the Internal Control Monitoring System.

The Risk Management System corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's Institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory boards, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The Information and Reporting System ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Executive Board of Directors.

The Monitoring Process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, namely, through the identification of deficiencies in the system, either in terms of its design, implementation and/or use on a continuous basis and as an integral part of the Group's routines, the control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory boards.

In this context, the Internal Audit Function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system, as a whole, issuing recommendations based on the outcome of those assessments.

These subsystems of the Internal Control System are managed by the Risk Office and Compliance Office in terms of Risk Management and by the Planning and Control Department of the Planning, Research and ALM Division, the Accounts and Consolidation Division and the areas responsible for accounting in the different subsidiaries, for Information and Reporting.

The activity of the Risk Office is transversal across the Group and includes the coordination of the local risk management structures. The activity of the Compliance Office is also transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Accounting and Consolidation Division and the Planning and Control Department of the Planning, Research and ALM Division receive and centralise the financial information of all the subsidiaries. The Audit Department is responsible for the onsite monitoring of the internal control system, performing this duty transversally.

The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning and Control Department of the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as with the required reporting dates;
- The identification and control of the intra-Group operations;
- Ensuring that the management information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, to verify the achievement of the established objectives, as well as to evaluate and control the risks incurred by each entity, both in absolute and relative terms.

COMPLIANCE WITH THE RECOMMENDATIONS†† ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

		Page
I.	**Business Model**	
1.	Description of the business model (i.e. reasons for the development of the activities/businesses and respective contribution to the process of creation of value) and, if applicable, of any changes made (for example as a result of the period of turbulence).	*AR (Management Report) – Business Model, page 13-16; Governance Model, page 17-18; Review of the Business Areas, page 62-80*
2.	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products).	*AR (Management Report) – Vision, Mission and Strategy, page 43-44*
3.	Description of the importance of the activities developed and respective contribution to the business (including in quantitative terms).	*AR (Management Report) - Review of the Business Areas, page 62-80; (Accounts and Notes to the Accounts) – Indicators of the Consolidated Balance Sheet and Income Statement by business and geographic segment*
4.	Description on the type of activities including a description of the instruments used, their operation and qualifying criteria that the products/investments must meet.	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) - Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity*
5.	Description of the objective and extent of the involvement of the institution (i.e. commitments and obligations assumed) relative to each activity developed.	
II.	**Risks and Risk Management**	
6.	Description of the nature and extent of risks incurred in relation to the activities developed and instruments used.	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Risk Management*
7.	Description of risk management practices (including, in particular, under current circumstances, liquidity risk) of relevance to the activities, description of any identified weaknesses and corrective measures that have been adopted. (In the current crisis, particular attention should be given to liquidity risk.)	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Risk Management*
III.	**Impact of the period of financial turbulence on earnings**	
8.	Qualitative and quantitative description of earnings, focusing on losses (when applicable) and the impact of write-downs on earnings.	*AR (Management Report) – Results and Balance Sheet, page 49-61; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale*

†† of the Financial Stability Board (FSB) and European Banking Authority (EBA).

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9.	Breakdown of write-downs/losses by type of product and instrument affected by the period of turbulence, namely, the following: *commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO) and asset-backed securities (ABS).*	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*
10.	Description of the reasons and factors responsible for the impact incurred.	*AR (Management Report) – Economic Environment, page 38*
11.	Comparison of i) impacts between (relevant) periods; and ii) financial statements before and after the impact of the period of turbulence.	*AR (Management Report) – Results and Balance Sheet, page 49-61*
12.	Distribution of write-downs between unrealised and realised amounts.	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Fair value reserves, other reserves and retained earnings*
13.	Description of the influence of the financial turbulence on the entity's share price.	*AR (Management Report) – BCP Share, page 32-36*
14.	Disclosure of maximum loss risk and description how the institution's situation could be affected by the prolonging or exacerbation of the period of turbulence or by the market's recovery.	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings*
15.	Disclosure of the impact that the evolution of the spread associated to the institution's own liabilities had on net income, as well as the methods used to determine this impact.	*AR (Management Report) – Results and Balance Sheet, page 49-61; (Accounts and Notes to the Accounts) – Fair Value*
IV	**Levels and types of exposure affected by the period of turbulence**	
16.	Nominal amount (or amortised cost) and fair values of "live" exposure.	*AR (Management Report) – Information on exposure to activities and products affected by the recent financial crisis, page 105; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity*
17.	Information on mitigation of credit risk (i.e. through credit default swaps) and the respective effect on existing exposure.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*

		Page
18.	Detailed disclosure of exposure, with breakdown by: – Seniority level of exposure/tranches held; – Credit quality level (i.e. ratings, vintages); – Geographic origin; – Activity sector; – Source of the exposure (issued, retained or acquired); – Product characteristics: i.e. ratings, weight/portion of associated subprime assets, discount rates, spreads, funding; – Characteristics of the underlying assets: i.e. vintages, loan-to-value ratios, information on liens, weighted average life of the underlying asset, assumptions on the evolution of situations of prepayment, and expected losses.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*
19.	Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.).	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*
20.	Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*
21.	Exposure to monoline insurers and quality of the insured assets: – Nominal value (or amortised cost) of the insured exposure, as well as of the amount of acquired credit protection; – Fair values of "live" exposure, as well as the respective credit protection; – Value of write-downs and losses, differentiated between realised and unrealised amounts; – Breakdown of exposure by rating or counterpart.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105*
V.	**Accounting policies and valuation methods**	
22.	Classification of the transactions and structured products for accounting purposes and the respective accounting treatment.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings; Fair value*
23.	Consolidation of Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence.	*AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 105; (Accounts and Notes to the Accounts) – Accounting Policies*

		Page
24.	Detailed disclosures on the fair value of financial instruments: – Financial instruments to which fair value is applied; – Hierarchy of fair value (breakdown of all exposure stated at fair value) and breakdown between liquid assets and derivative instruments, as well as disclosures on migration between hierarchical levels); – Treatment of day 1 profits (including quantitative information); – Use of the fair value option (including its conditions for use) and respective amounts (with appropriate breakdown).	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) - Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, other reserves and retained earnings; Fair Value*
25.	Description of modelling techniques used for the valuation of financial instruments, including information on: – Modelling techniques and instruments to which they are applied; – Valuation processes (including, in particular, assumptions and inputs underlying the models); – Types of adjustment applied to reflect model risk and other valuation uncertainties; – Sensitivity of the fair value (namely to variations in key assumptions and inputs); – *Stress scenarios.*	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Fair Value; Risk Management*
VI.	**Other relevant aspects in disclosures**	
26.	Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	*AR (Management Report) – Risk Management, page 85-102; (Accounts and Notes to the Accounts) – Accounting Policies; Fair Value; Risk Management*

Supplementary Information

Interim Condensed Financial Statements for the First Half of 2016

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statement
for the six months period ended 30 June, 2016 and 2015

	30 June 2016	30 June 2015
	(Thousands of Euros)	
Interest and similar income	965,476	1,092,105
Interest expense and similar charges	(364,672)	(520,646)
Net interest income	600,804	571,459
Dividends from equity instruments	5,804	3,206
Net fees and commission income	320,331	336,125
Net gains / losses arising from trading and hedging activities	74,564	71,894
Net gains / losses arising from available for sale financial assets	108,259	407,097
Net gains from insurance activity	2,748	5,211
Other operating income	(86,328)	(33,993)
Total operating income	1,026,182	1,360,999
Staff costs	273,686	288,620
Other administrative costs	184,885	194,914
Depreciation	25,480	27,656
Operating costs	484,051	511,190
Operating net income before provisions and impairments	542,131	849,809
Loans impairment	(618,678)	(463,667)
Other financial assets impairment	(171,996)	(26,977)
Other assets impairment	(13,971)	(54,242)
Goodwill impairment	(2,512)	-
Other provisions	(9,472)	(10,369)
Operating net income	(274,498)	294,554
Share of profit of associates under the equity method	37,716	20,616
Gains / (losses) from the sale of subsidiaries and other assets	(4,480)	(12,411)
Net (loss) / income before income tax	(241,262)	302,759
Income tax		
Current	(56,447)	(44,804)
Deferred	134,748	(1,305)
Net (loss) / income after income tax from continuing operations	(162,961)	256,650
Income arising from discontinued operations	45,227	52,946
Net income after income tax	(117,734)	309,596
Attributable to:		
Shareholders of the Bank	(197,251)	240,744
Non-controlling interests	79,517	68,852
Net income for the period	(117,734)	309,596
Earnings per share (in euros)		
Basic	(0.007)	0.010
Diluted	(0.007)	0.009

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Balance Sheet as at 30 June, 2016 and 2015 and 31 December, 2015

	30 June 2016	31 December 2015	30 June 2015
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,178,315	1,840,317	2,426,845
Loans and advances to credit institutions			
Repayable on demand	415,547	776,413	1,140,761
Other loans and advances	1,389,207	921,648	831,021
Loans and advances to customers	49,186,077	51,970,159	53,408,642
Financial assets held for trading	1,234,270	1,188,805	2,216,887
Other financial assets held for trading at fair value through profit or loss	144,946	152,018	-
Financial assets available for sale	11,023,430	10,779,030	11,703,642
Assets with repurchase agreement	10,561	-	31,273
Hedging derivatives	115,022	73,127	80,927
Financial assets held to maturity	419,025	494,891	436,742
Investments in associated companies	558,736	315,729	305,399
Non current assets held for sale	1,906,134	1,765,382	1,674,727
Investment property	133,228	146,280	166,383
Property and equipment	475,150	670,871	706,101
Goodwill and intangible assets	194,975	210,916	207,162
Current tax assets	36,113	43,559	40,549
Deferred tax assets	2,767,402	2,561,506	2,544,567
Other assets	879,395	974,228	808,769
	73,067,533	74,884,879	78,730,397
Liabilities			
Amounts owed to credit institutions	11,228,648	8,591,045	12,412,919
Amounts owed to customers	48,762,037	51,538,583	50,601,098
Debt securities	4,018,060	4,768,269	5,262,904
Financial liabilities held for trading	613,595	723,228	824,229
Hedging derivatives	484,329	541,230	779,339
Provisions for liabilities and charges	290,491	284,810	302,817
Subordinated debt	1,659,530	1,645,371	1,660,517
Current income tax liabilities	18,151	22,287	6,530
Deferred income tax liabilities	1,722	14,810	13,081
Other liabilities	977,325	1,074,675	1,216,093
Total Liabilities	68,053,888	69,204,308	73,079,527
Equity			
Share capital	4,094,235	4,094,235	4,094,235
Treasury stock	(3,671)	(1,187)	(120,090)
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	171,175
Other capital instruments	2,922	2,922	9,853
Fair value reserves	(52,122)	23,250	(100,881)
Reserves and retained earnings	238,150	192,224	313,670
Net income for the period attributable to Shareholders	(197,251)	235,344	240,744
Total Equity attributable to Shareholders of the Bank	4,158,644	4,623,169	4,625,177
Non-controlling interests	855,001	1,057,402	1,025,693
Total Equity	5,013,645	5,680,571	5,650,870
	73,067,533	74,884,879	78,730,397

GLOSSARY

Capitalisation products – includes unit linked saving products and retirement saving plans (“PPR”, “PPE” and “PPR/E”).

Commercial gap – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.

Cost of risk, gross (expressed in bp) - ratio of impairment charges accounted in the period to customer loans (gross).

Cost of risk, net (expressed in bp) - ratio of impairment charges (net of recoveries) accounted to customer loans (gross).

Cost to income – operating costs divided by net operating revenues.

Cost to core income - operating costs divided by the net interest income and net fees and commission income.

Core income - net interest income plus net fees and commission income.

Core net income - corresponding to net interest income plus net commissions deducted from operating costs.

Coverage of credit at risk by balance sheet impairments – total BS impairments accumulated for risks of credit divided by credit at risk (gross).

Coverage of credit at risk by balance sheet impairments and real/financial guarantees – total BS impairments accumulated for risks of credit plus real and financial guarantees divided by credit at risk (gross).

Coverage of non-performing loans by balance sheet impairments – total BS impairments accumulated for risks of credit divided by NPL.

Credit at risk – definition broader than the non performing loans which includes also restructured loans whose changes from initial terms have resulted in the bank being in a higher risk position than previously; restructured loans which have resulted in the bank becoming in a lower risk position (e.g. reinforced collateral) are not included in credit at risk.

Credit at risk (net) – credit at risk deducted from BS impairments accumulated for risks of credit.

Customer spread – Difference between the spread on the loans to customers book over 3 months Euribor and the spread on the customers' deposits portfolio over 3 months Euribor.

Debt securities - debt securities issued by the Bank and placed with customers.

Dividends from equity instruments - dividends received from investments in financial assets held for trading and available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Loan book spread - average spread on the loan portfolio over 3 months Euribor.

Loan to value ratio (LTV) – Mortgage amount divided by the appraised value of property.

Loan to Deposits ratio (LTD) – Total loans to customers net of accumulated BS impairments for risks of credit to total customer deposits.

Net interest margin - net interest income for the period as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

Non-performing loans – Overdue loans more than 90 days including the non-overdue remaining principal of loans, i.e. portion in arrears, plus non-overdue remaining principal.

Non-performing loans ratio (net) – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes less BS impairments accumulated for credit risk divided by total loans (gross).

Non-performing loans coverage ratio – total BS impairments accumulated for credit risk divided by overdue and doubtful loans divided.

Loans more than 90 days overdue coverage - total BS impairments accumulated for risk of credit divided by total amount of loans overdue with installments of capital and interest overdue more than 90 days.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

Overdue loans - loans in arrears, not including the non-overdue remaining principal.

Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of loans overdue with installments of capital and interest overdue.

Overdue and doubtful loans - loans overdue by more than 90 days and the doubtful loans reclassified as overdue loans for provisioning purposes.

Return on equity (ROE) – Net income (including the minority interests) divided by the average attributable equity, deducted from preference shares and other capital instruments.

Return on average assets (ROA) – Net income (including minority interests) divided by the average total assets.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.

Spread on term deposits portfolio – average spread on terms deposits portfolio over 3 months Euribor.

Total customer funds - amounts due to customers (including debt securities), assets under management and capitalisation products.

Total operating income – net interest income, dividends from equity instruments, net fees and commissions income, trading income, equity accounted earnings and other operating income.

Porto Salvo, 29 August 2016

The Executive Committee

Interim Condensed Consolidated Financial Statements and Notes to the Interim Condensed Consolidated Financial Statements for the First Half of 2016

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statement
for the six month period ended 30 June 2016 and 2015

	Notes	30 June 2016	30 June 2015 (restated)
		(Thousands of Euros)	
Interest and similar income	3	965,476	1,092,105
Interest expense and similar charges	3	(364,672)	(520,646)
Net interest income		600,804	571,459
Dividends from equity instruments	4	5,804	3,206
Net fees and commissions income	5	320,331	336,125
Net gains / (losses) arising from trading and hedging activities	6	74,564	71,894
Net gains / (losses) arising from financial assets available for sale	7	108,259	407,097
Net gains from insurance activity		2,748	5,211
Other operating income / (costs)	8	(86,328)	(33,993)
Total operating income		1,026,182	1,360,999
Staff costs	9	273,686	288,620
Other administrative costs	10	184,885	194,914
Depreciation	11	25,480	27,656
Total operating expenses		484,051	511,190
Operating net income before provisions and impairments		542,131	849,809
Loans impairment	12	(618,678)	(463,667)
Other financial assets impairment	13	(171,996)	(26,977)
Other assets impairment	27 and 32	(13,971)	(54,242)
Goodwill impairment		(2,512)	-
Other provisions	14	(9,472)	(10,369)
Operating net income / (loss)		(274,498)	294,554
Share of profit of associates under the equity method	15	37,716	20,616
Gains / (losses) arising from the sale of subsidiaries and other assets	16	(4,480)	(12,411)
Net income / (loss) before income taxes		(241,262)	302,759
Income taxes			
Current	31	(56,447)	(44,804)
Deferred	31	134,748	(1,305)
Income / (loss) after income taxes from continuing operations		(162,961)	256,650
Income / (loss) arising from discontinued operations	17	45,227	52,946
Net income / (loss) after income taxes		(117,734)	309,596
Net income / (loss) for the period attributable to:			
Shareholders of the Bank		(197,251)	240,744
Non-controlling interests	44	79,517	68,852
Net income / (loss) for the period		(117,734)	309,596
Earnings per share (in Euros)	18		
Basic		(0.007)	0.010
Diluted		(0.007)	0.009

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Comprehensive income for the six month period ended at 30 June 2016 and 2015

		30 June 2016				
		(Thousands of Euros)				
					Attributable to	
	Notes	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period						
Continuing operations		(162,961)	-	(162,961)	(224,112)	61,151
Discontinued operations		-	45,227	45,227	26,861	18,366
Other comprehensive income		(162,961)	45,227	(117,734)	(197,251)	79,517
Items that may be reclassified to the income statement						
Fair value reserves		(119,920)	(4,902)	(124,822)	(101,512)	(23,310)
Taxes		29,333	1,471	30,804	26,140	4,664
		(90,587)	(3,431)	(94,018)	(75,372)	(18,646)
Exchange differences arising on consolidation		(160,042)	80,575	(79,467)	(47,650)	(31,817)
		(250,629)	77,144	(173,485)	(123,022)	(50,463)
Items that will not be reclassified to the income statement						
Actuarial losses for the period						
Gross amount						
BCP Pensions Fund	48	(188,987)	-	(188,987)	(188,987)	-
Actuarial losses from associated companies		223	-	223	223	-
		(188,764)	-	(188,764)	(188,764)	-
Taxes		46,916	-	46,916	46,916	-
		(141,848)	-	(141,848)	(141,848)	-
Other comprehensive (loss) / income after taxes		(392,477)	77,144	(315,333)	(264,870)	(50,463)
Total comprehensive (loss) / income for the period		(555,438)	122,371	(433,067)	(462,121)	29,054

	30 June 2015 (restated)				
	(Thousands of Euros)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period					
Continuing operations	256,650	-	256,650	206,851	49,799
Discontinued operations	-	52,946	52,946	33,893	19,053
Other comprehensive income	256,650	52,946	309,596	240,744	68,852
Items that may be reclassified to the income statement					
Fair value reserves	(305,564)	(137)	(305,701)	(290,037)	(15,664)
Taxes	85,209	41	85,250	82,258	2,992
	(220,355)	(96)	(220,451)	(207,779)	(12,672)
Exchange differences arising on consolidation	(11,043)	(29,158)	(40,201)	(17,717)	(22,484)
	(231,398)	(29,254)	(260,652)	(225,496)	(35,156)
Items that will not be reclassified to the income statement					
Actuarial losses for the period					
Gross amount					
BCP Pensions Fund	(37,865)	(71)	(37,936)	(37,936)	-
Actuarial losses from associated companies	531	-	531	531	-
	(37,334)	(71)	(37,405)	(37,405)	-
Taxes	62,593	-	62,593	62,593	-
	25,259	(71)	25,188	25,188	-
Other comprehensive (loss) / income after taxes	(206,139)	(29,325)	(235,464)	(200,308)	(35,156)
Total comprehensive (loss) / income for the period	50,511	23,621	74,132	40,436	33,696

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statement
for the three month period between 1 April and 30 June 2016 and 2015

	Second quarter 2016	Second quarter 2015 (restated)
	(Thousands of Euros)	
Interest and similar income	478,807	524,641
Interest expense and similar charges	(170,362)	(251,001)
Net interest income	308,445	273,640
Dividends from equity instruments	3,760	1,255
Net fees and commissions income	156,382	173,840
Net gains / (losses) arising from trading and hedging activities	58,987	57,061
Net gains / (losses) arising from available for sale financial assets	95,504	230,648
Net gains from insurance activity	786	2,831
Other operating income / (costs)	(76,997)	(19,379)
Total operating income	546,867	719,896
Staff costs	135,242	145,176
Other administrative costs	93,068	97,829
Depreciation	12,665	13,859
Operating expenses	240,975	256,864
Operating net income before provisions and impairment	305,892	463,032
Loans impairment	(458,021)	(262,620)
Other financial assets impairment	(155,755)	(8,022)
Other assets impairment	(8,529)	(13,000)
Goodwill impairment	(2,512)	-
Other provisions	(15,802)	(429)
Operating net income / (loss)	(334,727)	178,961
Share of profit of associates under the equity method	23,842	14,558
Gains / (losses) from the sale of subsidiaries and other assets	566	(7,466)
Net income / (loss) before income tax	(310,319)	186,053
Income tax		
Current	(31,893)	(15,222)
Deferred	125,192	1,929
Income / (loss) after income tax from continuing operations	(217,020)	172,760
Income / (loss) arising from discontinued operations	16,222	36,273
Net income / (loss) after income tax	(200,798)	209,033
Net income / (loss) for the period attributable to:		
Shareholders of the Bank	(243,929)	170,331
Non-controlling interests	43,131	38,702
Net income / (loss) for the period	(200,798)	209,033

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Comprehensive income
for the three month period between 1 April and 30 June 2016 and 2015

	Second quarter 2016				
	(Thousands of Euros)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period					
Continuing operations	(217,020)	-	(217,020)	(256,258)	39,238
Discontinued operations	-	16,222	16,222	12,329	3,893
Other comprehensive income	(217,020)	16,222	(200,798)	(243,929)	43,131
Items that may be reclassified to the income statement					
Fair value reserves	(118,524)	(5,462)	(123,986)	(90,364)	(33,622)
Taxes	27,717	1,639	29,356	22,701	6,655
	(90,807)	(3,823)	(94,630)	(67,663)	(26,967)
Exchange differences arising on consolidation	(113,914)	146,669	32,755	16,488	16,267
	(204,721)	142,846	(61,875)	(51,175)	(10,700)
Items that will not be reclassified to the income statement					
Actuarial losses for the period					
Gross amount					
BCP Pensions Fund	(188,987)	-	(188,987)	(188,987)	-
Actuarial losses from associated companies	223	-	223	223	-
	(188,764)	-	(188,764)	(188,764)	-
Taxes	46,904	-	46,904	46,904	-
	(141,860)	-	(141,860)	(141,860)	-
Other comprehensive (loss) / income after taxes	(346,581)	142,846	(203,735)	(193,035)	(10,700)
Total comprehensive (loss) / income for the period	(563,601)	159,068	(404,533)	(436,964)	32,431

	Second quarter 2015 (restated)				
	(Thousands of Euros)				
				Attributable to	
	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period					
Continuing operations	172,760	-	172,760	145,178	27,582
Discontinued operations	-	36,273	36,273	25,153	11,120
Other comprehensive income	172,760	36,273	209,033	170,331	38,702
Items that may be reclassified to the income statement					
Fair value reserves	(524,926)	870	(524,056)	(527,570)	3,514
Taxes	149,654	(261)	149,393	150,101	(708)
	(375,272)	609	(374,663)	(377,469)	2,806
Exchange differences arising on consolidation	(71,409)	(53,112)	(124,521)	(63,191)	(61,330)
	(446,681)	(52,503)	(499,184)	(440,660)	(58,524)
Items that will not be reclassified to the income statement					
Actuarial losses for the period					
Gross amount					
BCP Pensions Fund	(37,865)	(71)	(37,936)	(37,936)	-
Actuarial losses from associated companies	531	-	531	531	-
	(37,334)	(71)	(37,405)	(37,405)	-
Taxes	68,375	-	68,375	68,375	-
	31,041	(71)	30,970	30,970	-
Other comprehensive (loss) / income after taxes	(415,640)	(52,574)	(468,214)	(409,690)	(58,524)
Total comprehensive (loss) / income for the period	(242,880)	(16,301)	(259,181)	(239,359)	(19,822)

BANCO COMERCIAL PORTUGUÊS

Condensed Consolidated Balance Sheet as at 30 June 2016 and 31 December 2015

	Notes	30 June 2016	31 December 2015
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	19	2,178,315	1,840,317
Loans and advances to credit institutions			
Repayable on demand	20	415,547	776,413
Other loans and advances	21	1,389,207	921,648
Loans and advances to customers	22	49,186,077	51,970,159
Financial assets held for trading	23	1,234,270	1,188,805
Other financial assets held for trading			
at fair value through profit or loss	23	144,946	152,018
Financial assets available for sale	23	11,023,430	10,779,030
Assets with repurchase agreement		10,561	-
Hedging derivatives	24	115,022	73,127
Financial assets held to maturity	25	419,025	494,891
Investments in associated companies	26	558,736	315,729
Non-current assets held for sale	27	1,906,134	1,765,382
Investment property	28	133,228	146,280
Other tangible assets	29	475,150	670,871
Goodwill and intangible assets	30	194,975	210,916
Current income tax assets		36,113	43,559
Deferred income tax assets	31	2,767,402	2,561,506
Other assets	32	879,395	974,228
Total Assets		73,067,533	74,884,879
Liabilities			
Deposits from credit institutions	33	11,228,648	8,591,045
Deposits from customers	34	48,762,037	51,538,583
Debt securities issued	35	4,018,060	4,768,269
Financial liabilities held for trading	36	613,595	723,228
Hedging derivatives	24	484,329	541,230
Provisions	37	290,491	284,810
Subordinated debt	38	1,659,530	1,645,371
Current income tax liabilities		18,151	22,287
Deferred income tax liabilities	31	1,722	14,810
Other liabilities	39	977,325	1,074,675
Total Liabilities		68,053,888	69,204,308
Equity			
Share capital	40	4,094,235	4,094,235
Share premium		16,471	16,471
Preference shares	40	59,910	59,910
Other equity instruments	40	2,922	2,922
Legal and statutory reserves	41	245,875	223,270
Treasury stock	43	(3,671)	(1,187)
Fair value reserves	42	(52,122)	23,250
Reserves and retained earnings	42	(7,725)	(31,046)
Net income / (loss) for the period attributable to Shareholders		(197,251)	235,344
Total Equity attributable to Shareholders of the Bank		4,158,644	4,623,169
Non-controlling interests	44	855,001	1,057,402
Total Equity		5,013,645	5,680,571
		73,067,533	74,884,879

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Cash Flows
for the six month period ended 30 June 2016 and 2015

	30 June 2016	30 June 2015
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interests received	910,360	1,116,764
Commissions received	385,021	411,105
Fees received from services rendered	34,509	38,179
Interests paid	(372,880)	(602,249)
Commissions paid	(50,090)	(98,066)
Recoveries on loans previously written off	23,671	19,450
Net earned insurance premiums	7,424	18,044
Claims incurred of insurance activity	(3,991)	(5,566)
Payments to suppliers and employees	(609,422)	(745,784)
Income taxes (paid) / received	(24,065)	(49,321)
	300,537	102,556
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	(440,430)	537,410
Deposits held with purpose of monetary control	(865,670)	(645,510)
Loans and advances to customers receivable	1,139,811	436,251
Short term trading account securities	(162,015)	(670,319)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	87,011	44,253
Deposits from credit institutions with agreed maturity date	2,601,383	1,457,760
Deposits from clients repayable on demand	291,976	2,914,553
Deposits from clients with agreed maturity date	(1,366,515)	(2,111,962)
	1,586,088	2,064,992
Cash flows arising from investing activities		
Sale of shares in subsidiaries and associated companies	15,758	320,520
Dividends received	16,848	40,099
Interest income from available for sale financial assets and held to maturity financial assets	106,489	191,093
Sale of available for sale financial assets	2,433,380	9,823,712
Acquisition of available for sale financial assets	(16,070,345)	(29,400,365)
Maturity of available for sale financial assets	12,163,836	17,906,965
Acquisition of tangible and intangible assets	(27,194)	(30,780)
Sale of tangible and intangible assets	4,889	17,911
Decrease / (increase) in other sundry assets	54,354	(37,109)
	(1,301,985)	(1,167,954)
Cash flows arising from financing activities		
Issuance of subordinated debt	1,587	688
Reimbursement of subordinated debt	(277)	(2,400)
Issuance of debt securities	94,144	233,587
Reimbursement of debt securities	(851,093)	(785,829)
Issuance of commercial paper and other securities	40,142	104,747
Reimbursement of commercial paper and other securities	(21,595)	(3,409)
Dividends paid to non-controlling interests	(20,907)	(10,157)
Increase / (decrease) in other sundry liabilities and non-controlling interests	115,743	(62,911)
	(642,256)	(525,684)
Exchange differences effect on cash and equivalents	(79,467)	(40,201)
Net changes in cash and equivalents	(437,620)	331,153
Cash and equivalents at the beginning of the period	1,323,119	1,398,584
Cash (note 19)	469,952	588,976
Other short term investments (note 20)	415,547	1,140,761
Cash and equivalents at the end of the period	885,499	1,729,737

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the six month period ended 30 June 2016 and 2015

(Amounts expressed in thousands of Euros)

	Share capital	Preference shares	Other equity instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Equity attributed to the Shareholders of the Bank	Non-controlling interests (note 44)	Total equity
Balance as at 31 December 2015	4,094,235	59,910	2,922	16,471	223,270	23,250	(2,483,578)	2,687,876	(1,187)	4,623,169	1,057,402	5,680,571
Other comprehensive income												
Exchange differences arising on consolidation	-	-	-	-	-	-	(126,204)	-	-	(126,204)	(110,057)	(236,261)
Fair value reserves (note 42)	-	-	-	-	-	(73,653)	-	-	-	(73,653)	(16,934)	(90,587)
Actuarial losses												
Gross value	-	-	-	-	-	-	(188,764)	-	-	(188,764)	-	(188,764)
Taxes	-	-	-	-	-	-	46,916	-	-	46,916	-	46,916
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	-	-	(1,719)	78,554	-	-	76,835	76,528	153,363
Net income / (loss) for the period												
Continuing operations	-	-	-	-	-	-	-	(224,112)	-	(224,112)	61,151	(162,961)
Discontinued operations	-	-	-	-	-	-	-	26,861	-	26,861	18,366	45,227
Total comprehensive income for the period	-	-	-	-	-	(75,372)	(189,498)	(197,251)	-	(462,121)	29,054	(433,067)
Transfers to reserves:												
Legal reserve (note 41)	-	-	-	-	22,605	-	-	(22,605)	-	-	-	-
Costs related to the share capital increase	-	-	-	-	-	-	-	25	-	25	-	25
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	-	-	-	-	-	-	-	(210,395)	(210,395)
Dividends of Banco Millennium Angola, S.A., BIM - Banco Internacional de Moçambique and SIM - Seguradora Internacional de Moçambique	-	-	-	-	-	-	-	-	-	-	(20,907)	(20,907)
Treasury stock (note 43)	-	-	-	-	-	-	-	1	(2,484)	(2,483)	-	(2,483)
Other reserves arising on consolidation (note 42)	-	-	-	-	-	-	-	59	-	59	(153)	(94)
Balance as at 30 June 2016	4,094,235	59,910	2,922	16,471	245,875	(52,122)	(2,673,076)	2,468,100	(3,671)	4,158,644	855,001	5,013,645

(continues)

See accompanying notes to the interim condensed consolidated financial statements

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the six month period ended 30 June 2016 and 2015

(continuation) (Amounts expressed in thousands of Euros)

	Share capital	Preference shares	Other equity instruments	Share premium	Legal and statutory reserves	Other comprehensive income		Other reserves and retained earnings	Treasury stock	Equity attributed to the Shareholders of the Bank	Non--controlling interests (note 44)	Total equity
						Fair value and cash flow hedged reserves	Other					
Balance as at 31 December 2014	3,706,690	171,175	9,853	-	223,270	106,898	(2,383,487)	2,391,684	(13,547)	4,212,536	774,371	4,986,907
Other comprehensive income												
Exchange differences arising on consolidation	-	-	-	-	-	-	(22,278)	-	-	(22,278)	(22,484)	(44,762)
Fair value reserves (note 42)	-	-	-	-	-	(215,270)	-	-	-	(215,270)	(5,181)	(220,451)
Actuarial losses												
Gross value	-	-	-	-	-	-	(37,405)	-	-	(37,405)	-	(37,405)
Taxes	-	-	-	-	-	-	62,593	-	-	62,593	-	62,593
Disposal of 15.54% of Bank Millennium S.A.	-	-	-	-	-	7,491	4,561	-	-	12,052	(7,491)	4,561
Net (loss) / income for the period												
Continuing operations	-	-	-	-	-	-	-	206,851	-	206,851	49,799	256,650
Discontinued operations	-	-	-	-	-	-	-	33,893	-	33,893	19,053	52,946
Total comprehensive income for the period	-	-	-	-	-	(207,779)	7,471	240,744	-	40,436	33,696	74,132
Share capital increase by securities exchange (note 40)	387,545	-	-	16,471	-	-	-	-	-	404,016	-	404,016
Costs related to the share capital increase	-	-	-	-	-	-	-	(267)	-	(267)	-	(267)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	56	-	56	-	56
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-	-	-	(10,157)	(10,157)
Disposal of 15.54% of Bank Millennium S.A.	-	-	-	-	-	-	-	31,089	-	31,089	227,910	258,999
Treasury stock (note 43)	-	-	-	-	-	-	-	43,697	(106,543)	(62,846)	-	(62,846)
Other reserves arising on consolidation (note 42)	-	-	-	-	-	-	3,486	(3,329)	-	157	(127)	30
Balance as at 30 June 2015	4,094,235	171,175	9,853	16,471	223,270	(100,881)	(2,372,530)	2,703,674	(120,090)	4,625,177	1,025,693	5,650,870
Other comprehensive income												
Exchange differences arising on consolidation	-	-	-	-	-	-	(61,760)	-	-	(61,760)	(48,987)	(110,747)
Fair value reserves (note 42)	-	-	-	-	-	124,131	-	-	-	124,131	24,228	148,359
Actuarial losses												
Gross value	-	-	-	-	-	-	(73,102)	-	-	(73,102)	(185)	(73,287)
Taxes	-	-	-	-	-	-	23,866	-	-	23,866	(17)	23,849
Net income / (loss) for the period												
Continuing operations	-	-	-	-	-	-	-	(24,070)	-	(24,070)	38,054	13,984
Discontinued operations	-	-	-	-	-	-	-	18,670	-	18,670	18,711	37,381
Total comprehensive income for the period	-	-	-	-	-	124,131	(110,996)	(5,400)	-	7,735	31,804	39,539
Share capital increase by securities exchange (note 40)	-	(111,265)	(6,931)	-	-	-	-	-	-	(118,196)	-	(118,196)
Costs related to the share capital increase	-	-	-	-	-	-	-	(906)	-	(906)	-	(906)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	191	-	191	-	191
Disposal of 15.54% of Bank Millennium S.A.	-	-	-	-	-	-	-	(101)	-	(101)	-	(101)
Treasury stock (note 43)	-	-	-	-	-	-	-	(9,229)	118,903	109,674	-	109,674
Other reserves arising on consolidation (note 42)	-	-	-	-	-	-	(52)	(353)	-	(405)	(95)	(500)
Balance as at 31 December 2015	4,094,235	59,910	2,922	16,471	223,270	23,250	(2,483,578)	2,687,876	(1,187)	4,623,169	1,057,402	5,680,571

1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the ‘Bank’) is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the ‘Group’) and the Group’s interest in associates, for the six months ended 30 June 2016 and 2015.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal, the Group’s consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (‘IFRS’) as endorsed by the European Union ('EU') since the year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board (‘IASB’) as well as interpretations issued by the International Financial Reporting Interpretations Committee (‘IFRIC’) and their predecessor bodies. The consolidated financial statements presented were approved on 29 August 2016 by the Bank's Executive Committee. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document related to any normative always report to current version.

These interim condensed consolidated financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

The interim condensed consolidated financial statements, for the six month period ended 30 June 2016, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and therefore it does not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that it should be reading with the consolidated financial statements with reference to 31 December 2015.

As mentioned in note 46, the Banco Comercial Português, S.A. agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., and therefore this entity was considered as a discontinued operation since 31 March 2016. With reference to 31 December 2015, the total assets and liabilities of this subsidiary were accounted on the consolidated balance on the respectively lines, as for the income and expenses of the year with reference of June 2016 and 2015, were presented in a single line denominated Income arising from discontinued operations.

After the completion of the merger, which occurred in 30 April 2016, the assets and liabilities of Banco Millennium Angola, S.A. stopped being considered in the consolidated balance sheet and the investment in Banco Millennium Atlântico is now register as an associate, as referred in note 26. This fact should be taken into account for comparative analysis purposes, as detailed in note 56.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2016.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets available for sale, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

The preparation of the financial statements in accordance with IFRS requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments

b) Basis of consolidation

As from 1 January 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, income and expenses of the Bank and its subsidiaries (the Group), and the results attributable to the Group financial investments in associates.

Investments in subsidiaries

Subsidiaries are entities controlled by the Group (including structure entities and investment funds). The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or has rights to variable returns from its involvement with the entity (de facto control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Investments in associates

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence until the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, more than 20% or of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; or
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

Goodwill - Differences arising from consolidation

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed.

Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation.

Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

Goodwill is not adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

The recoverable amount of the goodwill is assessed annually in the preparation of the accounts with reference at the end of the year. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

In the first semester of 2016 there were no developments that could have a negative impact on the valuations prepared with reference to 31 December 2015.

Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

Onwards, in an acquisition (dilution) of controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the acquisition value, is accounted against reserves.

Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, for exchange differences between the conversion to Euros of the opening equity at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves - exchange differences. The exchange differences from hedging instruments related to foreign operations are registered in equity related to those financial investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the period.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in reserves - exchange differences.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

Transactions eliminated on consolidation

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in those entities.

c) Loans and advances to customers

Loans and advances to customers includes loans and advances originated by the Group which are not intended to be sold in the short term and are recognised when cash is advanced to costumers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

Impairment

The Group’s policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed against results, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

- group’s aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer’s business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals;
- a significant downgrading in the costumer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group in order to monitor the differences between estimated and real losses.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in terms individual only occurs in future periods.

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognized on the trade date, thus, in the date that the Group commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Net gains / (losses) arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in Net gains / (losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and losses may be performed whenever at least one of the requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves. On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains / (losses) arising from available for sale financial assets or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not framed in the exceptions stated by the rules, will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

The other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

(ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when 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 estimated reasonably. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there is no reversal in profit and losses).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

6) Securitizations operations

i) Traditional securitizations

The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No.1, No.2, No.3 e No.4) which portfolios were accounted derecognized of the individual balance of the Bank, because of the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were transferred.

As referred in note 22, with the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No.2 e No.3, the SPEs are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1 b).

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sell titularization units to an SPV with office in Ireland. At the same time this SPV issued and sold in the capital markets a group of different classes of bonds.

ii) Synthetic securitizations

The Group has two synthetic operations. Caravela SME No.3, which liquidation occurred in 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly by small and medium companies.

Caravela SME No.4 is a similar operation, initiated in 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLSs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of interest rate risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recongnised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair value option) are prohibited.

The analysis of the reclassifications is detailed in note 23 - Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale and in note 25 - Financial assets held to maturity.

g) Derecognition

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

k) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable. To be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and the actions required to complete the plan should indicate the changes of improbability significant in the plan or the plan was withdrawn.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the disposal.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by valuation experts properly accredited.

The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell, not subjected to depreciation. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) *Interest income and expense*

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:

- Interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

n) *Fee and commission income*

Fees and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) *Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)*

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes the gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) *Fiduciary activities*

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) *Property and equipment*

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

r) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as Other operating income.

The expertises responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

s) Intangible Assets

Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

u) Offsetting

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

v) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

w) Employee benefits

Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('Caixa de Abono de Família dos Empregados Bancários') which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in 'Acordo Colectivo de Trabalho'.

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the 'Instrumento de Regulação Colectiva de Trabalho (IRCT)' of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year.

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 30 June 2016, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees.

Share based compensation plan

As at 30 June 2016 there are no share based compensation plans in force.

Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed.

This variable remuneration is charged to income statement in the period to which it relates.

x) Income taxes

The Group is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

y) Segmental reporting

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available. The Group controls its activity through the following major operating segments:

Portugal activity:
- Retail Banking, also including ActivoBank;
- Companies, including the following networks: Companies, Corporate, Large Corporates and Investment Banking;
- Private Banking;
- Non-core business portfolio

Foreign activity:
- Poland;
- Angola (discontinued operation);
- Mozambique.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the purchase method till April 2016.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013.

From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. Following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Switzerland and Cayman Islands.

z) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

aa) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share.

If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

ab) Insurance contracts

Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration of risk coverage.

Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of premiums on risks not occurred.

Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Insurance or reinsurance intermediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, the Banks receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established between the Banks and the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which payment occurs at different time period to which it relates are subject to registration as an amount receivable under Other Assets.

ad) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that require the Executive Committee and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments are discussed in this section in order to improve understanding of how their application affects the Group’s reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Group’s reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group’s financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of financial assets available for-sale

The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in profit and loss of the Group.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost. Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact in profit and loss of the Group.

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity (de facto control).

The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law, will not have material effect on the financial statements.

Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was based on market yields, observed at the end of June 2016, regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. Given the methodology described, the discount rate did not change compared to the one used in December 2015 (2.50%).

Changes in these assumptions could materially affect these values.

Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

In the first semester of 2016 there were no developments that could have a negative impact on the valuations prepared as at 31 December 2015.

Non-current assets held for sale (real estate) impairment

The real estate registered in the Real Estate portfolio not affecting operations should be subject to impairment tests, since its registration until its derecognition, to conduct a property based on the property, according to criteria appropriate to the building life cycle stage that is.

2. Net interest income and net gains arising from trading and hedging activities and from financial assets available for sale

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities and from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale.

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Net interest income	600,804	571,459
Net gains / (losses) from trading and hedging assets	74,564	71,894
Net gains / (losses) from financial assets available for sale	108,259	407,097
	783,627	1,050,450

3. Net interest income

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Interest and similar income		
Interest on loans and advances	782,808	873,800
Interest on trading securities	3,842	11,263
Interest on other financial assets valued at fair value through profit and loss account	1,780	-
Interest on available for sale financial assets	100,720	106,595
Interest on held to maturity financial assets	4,531	25,217
Interest on hedging derivatives	50,835	53,256
Interest on derivatives associated to financial instruments through profit and loss account	6,946	6,691
Interest on deposits and other investments	14,014	15,283
	965,476	1,092,105
Interest expense and similar charges		
Interest on deposits and other resources	208,914	340,495
Interest on securities issued	78,760	102,239
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	32,801	32,303
Others	28,888	32,363
Interest on hedging derivatives	7,805	5,002
Interest on derivatives associated to financial instruments through profit and loss account	7,504	8,244
	364,672	520,646
	600,804	571,459

The balance Interest on loans and advances includes the amount of Euros 21,336,000 (30 June 2015: Euros 24,998,000) related to commissions and other gains accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 39,628,000 (30 June 2015: Euros 45,408,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 64,128,000 (30 June 2015: Euros 91,197,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

4. Dividends from equity instruments

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Dividends from financial assets available for sale	5,804	3,206

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the period.

5. Net fees and commissions income

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Fees and commissions received		
From guarantees	33,646	38,640
From credit and commitments	2,034	1,228
From banking services	199,344	221,843
From insurance activity commissions	701	892
From securities operations	45,033	49,623
From management and maintenance of accounts	45,412	39,836
From fiduciary and trust activities	421	549
From other commissions	43,112	34,940
	369,703	387,551
Fees and commissions paid		
From guarantees	2,409	2,038
From banking services	33,662	38,210
From insurance activity commissions	739	946
From securities operations	6,098	4,830
From other commissions	6,464	5,402
	49,372	51,426
	320,331	336,125

The balance Fees and commissions received - From banking services includes the amount of Euros 39,065,000 (30 June 2015: Euros 37,716,000) related to insurance mediation commissions, as referred in note 49 c).

6. Net gains / (losses) arising from trading and hedging activities

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	995,878	1,587,842
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	5,042	4,581
Variable income	23,716	820
Certificates and structured securities issued	46,076	36,305
Derivatives associated to financial instruments at fair value through results	21,020	25,545
Other financial instruments derivatives	218,086	404,366
Other financial instruments at fair value through results		
Securities portfolio		
Other financial instruments	5,799	13,406
Repurchase of own issues	6,391	41,337
Hedging accounting		
Hedging derivatives	32,882	57,028
Hedged item	112,183	10,530
Other activity	27,700	4,622
	1,494,773	2,186,382
Losses arising on trading and hedging activities		
Foreign exchange activity	951,758	1,553,878
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	4,607	11,161
Variable income	24,227	1,807
Certificates and structured securities issued	1,605	60,804
Derivatives associated to financial instruments through profit and loss account	18,536	21,936
Other financial instruments derivatives	265,216	369,277
Other financial instruments at fair value through results		
Securities portfolio		
Fixed income	4,036	-
Other financial instruments	6,163	22,017
Repurchase of own issues	5,557	1,653
Hedging accounting		
Hedging derivatives	123,680	36,472
Hedged item	11,893	33,659
Other activity	2,931	1,824
	1,420,209	2,114,488
	74,564	71,894

The balance Net gains arising from trading and hedging activities includes, as at 30 June 2016, for Deposits from customers - Deposits at fair value through profit and loss, a gain of Euros 2,832,000 (30 June 2015: loss of Euros 2,662,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 34.

This balance also includes, as at 30 June 2016, for Debt securities at fair value through profit and loss, a loss of Euros 923,000 (30 June 2015: loss of Euros 6,797,000) as referred in note 35, and for derivatives liabilities associated to financial instruments a gain of Euros 8,730,000 (30 June 2015: loss of Euros 4,619,000), related to the fair value changes arising from changes in own credit risk (spread).

The balance Gains arising from trading and hedging activities - Repurchase of own issues included, as at 30 June 2015, a gain of Euros 34,420,000 arising from the exchange offer of subordinated securities for shares.

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 d).

7. Net gains / (losses) arising from financial assets available for sale

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Gains arising from financial assets available for sale		
Fixed income	17,703	406,486
Variable income	91,027	5,148
Losses arising from financial assets available for sale		
Fixed income	(470)	(4,537)
Variable income	(1)	-
	108,259	407,097

The balance Gains arising from financial assets available for sale - Fixed income - includes, as at 30 June 2016, the amount of Euros 246,000 (30 June 2015: Euros 391,553,000) related to gains resulting from the sale of Portuguese Treasury bonds.

On 21 June 2016, it was completed the purchase of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as a key member of Visa Europe Ltd benefited from this transaction, which resulted in the receipt for the sale of shareholdings in Visa Europe Ltd to Visa Inc., an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and a deferred payment to 3 years.

As at 30 June 2016, the balance Gains arising from financial assets available for sale - Variable income includes the amount of Euros 90,992,000 related to gains arising from the sale of the investment held in Visa Europe.

8. Other operating income / (costs)

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Operating income		
Income from services	13,678	13,288
Cheques and others	6,637	7,204
Other operating income	7,618	13,332
	27,933	33,824
Operating costs		
Indirect taxes	10,218	8,639
Donations and contributions	2,519	1,894
Contribution over the banking sector	24,820	24,937
Contribution for the Resolution Fund	5,651	6,393
Contribution for the Single Resolution Fund	21,222	-
Other operating expenses	49,831	25,954
	114,261	67,817
	(86,328)	(33,993)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution’s risk profile. The period contributions focus on the liabilities of the member credit institutions, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund (‘SRF’) corresponds to the Bank’s annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the “SRM Regulation”). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRB applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and Council Implementing Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of every year.

On May 2016, the Group delivered the amount of Euros 21,222,000 to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 24,967,000 and the Group opted to constitute an irrevocable commitment to pay the difference, and it was determined by the Single Council resolution in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

9. Staff costs

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Salaries and remunerations	205,600	219,287
Mandatory social security charges		
Pension Fund and other benefits		
Service cost	(376)	(1,005)
Net interest cost / (income) in the liability coverage balance	2,252	2,864
Cost / (income) with early retirement programs		
and mutually agreed terminations	(889)	(61)
	987	1,798
Other mandatory social security charges	50,196	51,650
	51,183	53,448
Voluntary social security charges	6,230	11,947
Seniority premium	2,265	1,300
Other staff costs	8,408	2,638
	273,686	288,620

The balances Pension fund and other benefits and Seniority premium are detailed in note 48.

The fixed remunerations and social charges paid to members of the Board of Directors and key management elements are analysed as follows:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Remunerations	1,040	1,074	279	282	2,674	3,432
Supplementary retirement pension	346	-	-	-	-	-
Pension Fund	14	20	-	-	78	71
Other mandatory social security charges	235	245	65	67	748	844
Seniority premium	-	-	-	-	94	38
	1,635	1,339	344	349	3,594	4,385

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During the first semester of 2016, the amount of remuneration paid to the Executive Committee, includes Euros 110,000 (30 June 2015: Euros 40,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, of which Euros 63,000 are related to 2015.

During the first semester of 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the first semester of 2016, were paid Euros 483,000 (30 June 2015: Euros 1,148,000 paid to one member) of severance pay to one key management member.

10. Other administrative costs

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Water, electricity and fuel	8,232	8,970
Consumables	2,303	2,748
Rents	50,045	51,472
Communications	11,895	12,008
Travel, hotel and representation costs	3,825	4,371
Advertising	11,826	14,444
Maintenance and related services	9,584	10,993
Credit cards and mortgage	1,942	2,917
Advisory services	4,850	6,075
Information technology services	9,387	8,517
Outsourcing	37,018	36,764
Other specialised services	11,269	11,829
Training costs	647	464
Insurance	2,220	2,581
Legal expenses	3,093	3,370
Transportation	4,196	4,023
Other supplies and services	12,553	13,368
	184,885	194,914

The balance Rents includes the amount of Euros 41,812,000 (30 June 2015: Euros 44,861,000) related to rents paid regarding buildings used by the Group as lessee.

The Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

	Jun 2016			Jun 2015 (restated)		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
Until 1 year	74,924	847	75,771	80,382	1,466	81,848
1 to 5 years	80,734	625	81,359	104,166	1,193	105,359
Over 5 years	13,769	3	13,772	16,869	27	16,896
	169,427	1,475	170,902	201,417	2,686	204,103

11. Depreciation

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Intangible assets:		
Software	5,167	6,040
Other intangible assets	215	175
	5,382	6,215
Property, plant and equipment:		
Land and buildings	10,122	11,019
Equipment		
Furniture	842	862
Machinery	348	466
Computer equipment	3,774	3,996
Interior installations	936	1,008
Motor vehicles	2,219	1,969
Security equipment	803	960
Other equipment	1,054	1,160
Other tangible assets	-	1
	20,098	21,441
	25,480	27,656

12. Loans impairment

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Loans and advances to credit institutions:		
Impairment charge for the period	-	10
Write-back for the period	(2)	(3)
	(2)	7
Loans and advances to customers:		
Impairment charge for the period	734,889	614,491
Write-back for the period	(92,538)	(131,539)
Recovery of loans and interest charged-off	(23,671)	(19,292)
	618,680	463,660
	618,678	463,667

The balance Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 c).

13. Other financial assets impairment

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Impairment of financial assets available for sale		
Charge for the period	171,996	26,977

The balance Impairment of financial assets available for sale - Charge for the period includes the impairment losses on shares and on participation units held by the Group in the amount of Euros 133,140,000 (30 June 2015: Euros 18,828,000). This amount includes Euros 123,252,000 related to impairment losses on investments held in restructuring funds, as described in note 55 (30 June 2015: Euros 11,333,000).

14. Other provisions

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Provision for guarantees and other commitments		
Charge for the period	14,384	3,990
Write-back for the period	(4,167)	(11,597)
	10,217	(7,607)
Other provisions for liabilities and charges		
Charge for the period	7,083	18,272
Write-back for the period	(7,828)	(296)
	(745)	17,976
	9,472	10,369

15. Share of profit of associates under the equity method

The main contributions of the investments accounted for under the equity method are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	8,640	12,585
Unicre - Instituição Financeira de Crédito, S.A.	23,920	1,752
Banco Millennium Atlântico, S.A.	2,953	-
Banque BCP, S.A.S.	1,438	1,468
SIBS, S.G.P.S, S.A.	3,957	1,630
Banque BCP (Luxembourg), S.A.	40	8
VSC - Aluguer de Veículos Sem Condutor, Lda.	-	123
Other companies	(3,232)	3,050
	37,716	20,616

The positive evolution of this caption is due mainly to the contribution of the results of Unicre - Instituição Financeira de Crédito, S.A., influenced by the transaction of its shareholding in Visa Europe.

In accordance with the note 46, Banco Comercial Português, S.A. agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S,A., which started to be accounted by the equity method in May 2016. The main impacts of this transaction are detailed in note 56.

During December 2015, the Group sold 50% of the capital share of the company VSC - Aluguer de Veículos Sem Condutor, Lda. to GE Capital Holding Portugal, SGPS, Unipessoal Lda..

16. Gains / (losses) arising from the sale of subsidiaries and other assets

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Sale of 3.7% the investment held in Banque BCP, S.A (Luxembourg)	465	-
Other assets	(4,945)	(12,411)
	(4,480)	(12,411)

The caption Gains / (losses) arising from the sale of subsidiaries and other assets - Other assets corresponds to the gains and losses arising from the sale and revaluation of assets of the Group classified as non-current assets held for sale.

17. Income / (Loss) arising from discontinued operations

The amount of this account is comprised of:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Net income / (loss) before income taxes		
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	1,463
Gains arising from the merger of Banco Millennium Angola, S.A. and Banco Privado Atlântico, S.A.	7,329	-
Gains arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,092	13,643
Banco Millennium Angola, S.A.	41,934	46,523
	50,355	61,629
Taxes		
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	(344)
Banco Millennium Angola, S.A.	(5,128)	(8,339)
	(5,128)	(8,683)
	45,227	52,946

According to the described in note 46, under the merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, and in accordance with the provisions of IFRS 5, this operation was considered as discontinued, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued operations". The financial statements of Banco Millennium Angola, S.A. that have been incorporated in this caption, are detailed in note 56.

18. Earnings per share

The earnings per share are calculated as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Net income / (loss) from continuing operations	(162,961)	256,650
Non-controlling interests arising from continued operations	(61,151)	(49,799)
Appropriated net income / (loss) arising from continued operations	(224,112)	206,851
Gains / (losses) in equity instruments	-	43,697
Adjusted net income / (loss) from continuing operations	(224,112)	250,548
Net income / (loss) arising from discontinued operations	45,227	52,946
Non-controlling interests arising from discontinued operations	(18,366)	(19,053)
Appropriated net income / (loss) arising from discontinued operations	26,861	33,893
Adjusted net income / (loss)	(197,251)	284,441
Average number of shares	59,039,023,275	54,703,228,549
Basic earnings per share (Euros):		
from continuing operations	(0.008)	0.009
from discontinued operations	0.001	0.001
	(0.007)	0.010
Diluted earnings per share (Euros)		
from continuing operations	(0.008)	0.008
from discontinued operations	0.001	0.001
	(0.007)	0.009

The Bank's share capital, amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

As at 30 June 2016 and 2015 in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), were not considered, by presenting an antidilutive effect and it is not defined the conversion value of the shares to be issued according to the decree 150-A / 2012 of 17 May which will be the basis for determining this effect.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Cash	469,952	625,311
Central Banks		
Bank of Portugal	861,369	171,367
Central Banks abroad	846,994	1,043,639
	2,178,315	1,840,317

The balance Central Banks includes deposits with Central Banks of the countries where the Group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Credit institutions in Portugal	1,866	1,632
Credit institutions abroad	214,379	675,415
Amounts due for collection	199,302	99,366
	415,547	776,413

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group had, as at 31 December 2015, through its subsidiary Bank Millennium, S.A. in Poland, the amount of Euros 464,759,000 of Loans and advances to credit institutions repayable on demand, granted as collateral on the mentioned transactions. In 2016, these operations are associated with Other loans and advances to credit institutions, as mentioned in note 21.

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

21. Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Other loans and advances to Central Banks abroad	10,917	71,934
Other loans and advances to credit institutions in Portugal	4,990	4,274
Other loans and advances to credit institutions abroad	1,373,300	845,442
	1,389,207	921,650
Impairment for other loans and advances to credit institutions	-	(2)
	1,389,207	921,648

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group has the amount of Euros 729,678,000 (31 December 2015: Euros 325,020,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	2	53
Transfers	-	(46)
Impairment charge for the period	-	10
Write-back for the period	(2)	(3)
Exchange rate differences	-	(5)
Balance on 30 June	-	9

22. Loans and advances to customers

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Public sector	1,155,985	1,226,557
Asset-backed loans	30,002,921	31,482,461
Other guaranteed loans	7,764,333	8,243,543
Unsecured loans	3,065,805	3,230,128
Foreign loans	2,067,384	2,207,638
Factoring	1,489,037	1,573,033
Finance leases	3,254,576	3,351,665
	48,800,041	51,315,025
Overdue loans - less than 90 days	140,904	121,846
Overdue loans - Over 90 days	3,989,430	4,001,372
	52,930,375	55,438,243
Impairment for credit risk	(3,744,298)	(3,468,084)
	49,186,077	51,970,159

As at 30 June 2016, the balance Loans and advances to customers includes the amount of Euros 12,639,700,000 (31 December 2015: Euros 12,717,796,000) regarding mortgage loans issued by the Group.

The Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As at 30 June 2016 and as referred in note 55, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,584,482,000 (31 December 2015: Euros: 1,584,372,000). During the first semester of 2016, the loans sold amounted to Euros 110,000.

As referred in note 49, the Group provides loans and/or guarantees to shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report.

As at 30 June 2016, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 89,021,000 (31 December 2015: Euros 149,324,000), as referred in note 49 a). The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee. The amount of impairment recognised for these contracts amounts to Euros 177,000 as at 30 June 2016 (31 December 2015: Euros 904,000).

The analysis of loans and advances to customers, by type of credit, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Loans not represented by securities		
Discounted bills	262,864	295,697
Current account credits	1,782,464	2,214,611
Overdrafts	1,441,966	1,589,253
Loans	14,032,786	15,141,524
Mortgage loans	24,471,686	25,179,816
Factoring	1,489,037	1,573,033
Finance leases	3,254,576	3,351,665
	46,735,379	49,345,599
Loans represented by securities		
Commercial paper	1,841,099	1,655,569
Bonds	223,563	313,857
	2,064,662	1,969,426
	48,800,041	51,315,025
Overdue loans - less than 90 days	140,904	121,846
Overdue loans - Over 90 days	3,989,430	4,001,372
	52,930,375	55,438,243
Impairment for credit risk	(3,744,298)	(3,468,084)
	49,186,077	51,970,159

The analysis of loans and advances to customers, by sector of activity, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Agriculture	404,689	436,051
Mining	112,088	152,525
Food, beverage and tobacco	572,739	614,374
Textiles	491,114	469,481
Wood and cork	233,688	237,402
Paper, printing and publishing	215,439	214,094
Chemicals	850,952	818,068
Machinery, equipment and basic metallurgical	1,013,795	1,053,862
Electricity, water and gas	845,813	1,002,857
Construction	3,165,604	3,562,374
Retail business	1,190,700	1,249,026
Wholesale business	1,941,699	2,146,780
Restaurants and hotels	948,909	1,017,112
Transports and communications	1,930,644	1,972,592
Services	9,686,094	10,052,993
Consumer credit	3,918,255	4,138,491
Mortgage credit	24,494,376	25,048,344
Other domestic activities	8,058	7,713
Other international activities	905,719	1,244,104
	52,930,375	55,438,243
Impairment for credit risk	(3,744,298)	(3,468,084)
	49,186,077	51,970,159

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization. The characterization of these operations is described in note 1 d) 6 i).

Traditional securitizations

Securitization transactions engaged by the Group refer to mortgage loans and are set through specifically created SPE. As at 30 June 2016, the loans and advances referred to these traditional securitization transactions amounts to Euros 558,476,000 (31 December 2015: Euros 586,633,000) As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The SPE's credit portfolio associated with this operation amounts to Euros 153,897,000, and the bonds issued with different subordination levels amount to Euros 135,964,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 16,972,000 and Euros 14,000,000 of the most subordinated tranche fully acquired).

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE “Magellan Mortgages No. 3 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). The SPE's credit portfolio associated with this operation amounts to Euros 404,578,000, and bonds issued with different subordination levels amount to Euros 268,055,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 129,913,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

Caravela SME No. 3

The synthetic securitization "Caravela SME No.3" amounts to Euros 2,401,052,000.

Caravela SME No. 4

The synthetic securitization "Caravela SME No.4" amounts to Euros 1,086,515,000.

The Group's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Total loans	57,828,354	60,675,358
Loans and advances to customers with signs of impairment		
Individually significant		
Gross amount	7,014,404	7,634,583
Impairment	(2,487,163)	(2,192,931)
	4,527,241	5,441,652
Collective analysis		
Gross amount	4,115,174	4,443,180
Impairment	(1,218,667)	(1,207,337)
	2,896,507	3,235,843
Loans and advances to customers without signs of impairment	46,698,776	48,597,595
Impairment (IBNR)	(120,681)	(142,526)
	54,001,843	57,132,564

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 52,930,375,000 (31 December 2015: Euros: 55,438,248,000) and guarantees granted and commitments to third parties balance (see note 45), in the amount of Euros 4,987,979,000 (31 December 2015: Euros 5,237,115,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 37), in the amount of Euros 82,213,000 (31 December 2015: Euros 74,710,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers portfolio, considering its fair value, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	494,115	550,174
Home mortgages	522,021	596,331
Other real estate	1,384,831	1,496,490
Other guarantees	493,009	552,548
	2,893,976	3,195,543
Collective analysis		
Securities and other financial assets	23,431	36,793
Home mortgages	1,943,468	2,057,815
Other real estate	356,589	384,543
Other guarantees	113,512	165,466
	2,437,000	2,644,617
Loans and advances to customers without impairment		
Securities and other financial assets	1,822,703	2,025,790
Home mortgages	21,379,921	21,901,517
Other real estate	3,423,164	3,582,927
Other guarantees	3,959,936	3,941,082
	30,585,724	31,451,316
	35,916,700	37,291,476

Considering the Group's risk management policy, the amounts shown do not include the fair value of personal guarantees provided by customers with lower risk notation.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices.

Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Gross amount	3,668,560	3,793,994
Interest not yet due	(413,984)	(442,329)
Net book value	3,254,576	3,351,665

The analysis of financial lease contracts, by type of client, is presented as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Individuals		
Home	75,809	75,661
Consumer	24,631	35,940
Others	129,372	133,211
	229,812	244,812
Companies		
Equipment	1,337,983	1,382,649
Real estate	1,686,781	1,724,204
	3,024,764	3,106,853
	3,254,576	3,351,665

Regarding operational leasing, the Group does not present relevant contracts as leasor.

The loans to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Agriculture	35,113	33,162
Mining	148	156
Food, beverage and tobacco	1,342	1,438
Textiles	752	943
Wood and cork	13,650	13,706
Paper, printing and publishing	437	3,541
Chemicals	4,134	1,791
Machinery, equipment and basic metallurgical	36,825	34,997
Electricity, water and gas	388	487
Construction	30,676	48,429
Retail business	10,036	10,005
Wholesale business	29,173	29,696
Restaurants and hotels	7,613	1,647
Transports and communications	7,276	6,957
Services	10,911	18,874
Consumer credit	110,843	108,939
Mortgage credit	97,631	91,900
Other domestic activities	-	26
Other international activities	6,526	8,112
	403,474	414,806

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 168,935,000 (31 December 2015: Euros 182,839,000).

Additionally, the portfolio includes outstanding loans that, based on the customer’s financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 3,531,359,000 (31 December 2015: Euros 3,778,575,000) with an impairment of Euros 586,726,000 (31 December 2015: Euros 499,307,000).

The analysis of overdue loans, by sector of activity, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Agriculture	54,165	44,352
Mining	11,234	10,583
Food, beverage and tobacco	17,319	19,357
Textiles	32,860	32,832
Wood and cork	18,884	18,245
Paper, printing and publishing	10,639	11,904
Chemicals	69,887	72,680
Machinery, equipment and basic metallurgical	68,438	79,285
Electricity, water and gas	4,852	4,394
Construction	1,028,583	1,075,106
Retail business	138,135	155,698
Wholesale business	174,166	182,827
Restaurants and hotels	130,568	128,530
Transports and communications	171,137	150,637
Services	1,252,563	1,182,138
Consumer credit	606,718	610,449
Mortgage credit	318,743	315,960
Other domestic activities	8,048	7,691
Other international activities	13,395	20,550
	4,130,334	4,123,218

The analysis of overdue loans, by type of credit, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Public sector	1	15
Asset-backed loans	2,315,278	2,390,948
Personal guaranteed loans	523,401	450,426
Unsecured loans	1,033,305	1,009,618
Foreign loans	62,453	61,933
Factoring	28,474	25,455
Finance leases	167,422	184,823
	4,130,334	4,123,218

The changes occurred in impairment for credit risk are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	3,468,084	3,482,705
Transfers resulting from changes in the Group's structure	(40,109)	11,470
Other transfers	1,635	131,875
Impairment charge for the period	734,889	614,491
Write-back for the period	(92,538)	(131,539)
Loans charged-off	(287,629)	(436,023)
Exchange rate differences	(40,034)	3,087
Balance on 30 June	3,744,298	3,676,066

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Agriculture	60,799	59,971
Mining	8,445	11,639
Food, beverage and tobacco	16,600	17,103
Textiles	26,279	25,712
Wood and cork	31,907	42,976
Paper, printing and publishing	14,730	21,142
Chemicals	66,977	56,619
Machinery, equipment and basic metallurgical	67,741	55,029
Electricity, water and gas	14,286	20,756
Construction	629,401	359,096
Retail business	109,075	109,730
Wholesale business	162,295	157,755
Restaurants and hotels	100,990	75,881
Transports and communications	138,104	206,169
Services	1,420,123	1,417,967
Consumer credit	450,736	330,824
Mortgage credit	354,152	416,542
Other domestic activities	1,890	6,080
Other international activities	69,768	77,093
	3,744,298	3,468,084

The impairment for credit risk, by type of credit, is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Public sector	2,003	1,420
Asset-backed loans	2,291,155	1,667,164
Personal guaranteed loans	541,863	490,236
Unsecured loans	601,104	1,020,381
Foreign loans	107,990	82,998
Factoring	36,993	37,485
Finance leases	163,190	168,400
	3,744,298	3,468,084

The impairment related to the component of Asset-backed loans and Personal guaranteed loans not covered by collaterals is presented in Unsecured loans.

The analysis of loans charged-off, by sector of activity, is as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Agriculture	6,366	2,092
Mining	135	166
Food, beverage and tobacco	588	766
Textiles	5,243	5,822
Wood and cork	421	1,202
Paper, printing and publishing	1,885	760
Chemicals	5,010	1,296
Machinery, equipment and basic metallurgical	6,149	7,297
Electricity, water and gas	86	64
Construction	89,295	53,637
Retail business	21,399	13,450
Wholesale business	7,073	21,573
Restaurants and hotels	14,574	35,623
Transports and communications	7,392	177,530
Services	64,218	39,935
Consumer credit	47,131	45,200
Mortgage credit	9,014	3,006
Other domestic activities	244	16,994
Other international activities	1,406	9,610
	287,629	436,023

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Asset-backed loans	24,118	25,225
Personal guaranteed loans	9,177	9,883
Unsecured loans	251,019	391,747
Foreign loans	-	6,361
Factoring	-	462
Finance leases	3,315	2,345
	287,629	436,023

The analysis of recovered loans and interest, during the first semester of 2016 and 2015, by sector of activity, is as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Agriculture	33	27
Mining	182	1
Food, beverage and tobacco	72	87
Textiles	720	421
Wood and cork	162	135
Paper, printing and publishing	41	4
Chemicals	180	39
Machinery, equipment and basic metallurgical	93	186
Electricity, water and gas	13	7
Construction	15,741	15,110
Retail business	194	253
Wholesale business	714	443
Restaurants and hotels	61	31
Transports and communications	36	55
Services	3,019	292
Consumer credit	2,250	1,458
Mortgage credit	36	-
Other domestic activities	77	18
Other international activities	47	725
	23,671	19,292

The analysis of recovered loans and interest during the first semester of 2016 and 2015, by type of credit, is as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Asset-backed loans	-	116
Personal guaranteed loans	198	428
Unsecured loans	23,300	18,687
Foreign loans	158	14
Factoring	3	-
Finance leases	12	47
	23,671	19,292

23. Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Bonds and other fixed income securities		
Issued by public entities	8,413,988	7,201,261
Issued by other entities	1,780,519	2,376,286
	10,194,507	9,577,547
Overdue securities	3,725	4,078
Impairment for overdue securities	(3,722)	(4,075)
	10,194,510	9,577,550
Shares and other variable income securities	1,379,320	1,617,348
	11,573,830	11,194,898
Trading derivatives	828,816	924,955
	12,402,646	12,119,853

The balance Trading derivatives includes, as at 30 June 2016, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 201,000 (31 December 2015: Euros 47,000).

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 30 June 2016, is analysed as follows:

	Jun 2016			
	Trading Euros '000	Other financial assets at fair value through profit or loss Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	31,417	144,946	3,893,792	4,070,155
Foreign issuers	75,356	-	2,858,718	2,934,074
Bonds issued by other entities				
Portuguese issuers	8,036	-	1,291,308	1,299,344
Foreign issuers	58,665	-	426,235	484,900
Treasury bills and other Government bonds	215,341	-	1,194,418	1,409,759
	388,815	144,946	9,664,471	10,198,232
Impairment for overdue securities	-	-	(3,722)	(3,722)
	388,815	144,946	9,660,749	10,194,510
Variable income:				
Shares in Portuguese companies	14,793	-	58,679	73,472
Shares in foreign companies	204	-	12,254	12,458
Investment fund units	1,274	-	1,291,748	1,293,022
Other securities	368	-	-	368
	16,639	-	1,362,681	1,379,320
Trading derivatives	828,816	-	-	828,816
	1,234,270	144,946	11,023,430	12,402,646
Level 1	393,117	144,946	8,738,199	9,276,262
Level 2	248,168	-	310,531	558,699
Level 3	592,985	-	1,974,700	2,567,685

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2015, is analysed as follows:

	Dec 2015			
	Trading Euros '000	Other financial assets at fair value through profit or loss Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	27,573	152,018	2,804,243	2,983,834
Foreign issuers	136,339	-	2,866,542	3,002,881
Bonds issued by other entities				
Portuguese issuers	20,007	-	1,139,881	1,159,888
Foreign issuers	62,678	-	1,157,798	1,220,476
Treasury bills and other				
Government bonds	-	-	1,214,546	1,214,546
	246,597	152,018	9,183,010	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	246,597	152,018	9,178,935	9,577,550
Variable income:				
Shares in Portuguese companies	15,282	-	71,097	86,379
Shares in foreign companies	391	-	89,924	90,315
Investment fund units	1,321	-	1,439,074	1,440,395
Other securities	259	-	-	259
	17,253	-	1,600,095	1,617,348
Trading derivatives	924,955	-	-	924,955
	1,188,805	152,018	10,779,030	12,119,853
Level 1	318,315	152,018	6,949,116	7,419,449
Level 2	672,489	-	2,149,370	2,821,859
Level 3	198,001	-	1,680,544	1,878,545

The trading and available for sale portfolios, are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 30 June 2016, the fair value reserves are negative in the amount of Euros 198,206,000 (31 December 2015: Euros 43,222,000).

On 30 June 2016, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No.1 and No. 4, referred in note 1 d) 6) i), in the amount of Euros 130,000 (31 December 2015: Euros 135,000) and Euros 1,628,000 (31 December 2015: Euros 1,876,000), respectively.

The portfolio of financial assets available for sale, as at 30 June 2016, is analysed as follows:

	Jun 2016					
	Amortised cost Euros '000	Impairment Euros '000	Amortised cost net of impairment Euros '000	Fair value reserves Euros '000	Fair value hedge adjustments Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	4,053,356	-	4,053,356	(264,682)	105,118	3,893,792
Foreign issuers	2,854,657	-	2,854,657	4,061	-	2,858,718
Bonds issued by other entities						
Portuguese issuers	1,393,435	(129,696)	1,263,739	23,847	-	1,287,586
Foreign issuers	415,310	-	415,310	10,925	-	426,235
Treasury bills and other						
Government bonds	1,194,774	(2)	1,194,772	(354)	-	1,194,418
	9,911,532	(129,698)	9,781,834	(226,203)	105,118	9,660,749
Variable income:						
Shares in Portuguese companies	146,515	(90,545)	55,970	2,709	-	58,679
Shares in foreign companies	12,471	(248)	12,223	31	-	12,254
Investment fund units	1,530,782	(264,291)	1,266,491	25,257	-	1,291,748
	1,689,768	(355,084)	1,334,684	27,997	-	1,362,681
	11,601,300	(484,782)	11,116,518	(198,206)	105,118	11,023,430

The portfolio of financial assets available for sale, as at 31 December 2015, is analysed as follows:

	Dec 2015					
	Amortised cost Euros '000	Impairment Euros '000	Amortised cost net of impairment Euros '000	Fair value reserves Euros '000	Fair value hedge adjustments Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,901,838	-	2,901,838	(116,661)	19,066	2,804,243
Foreign issuers	2,860,927	-	2,860,927	5,615	-	2,866,542
Bonds issued by other entities						
Portuguese issuers	1,178,788	(91,193)	1,087,595	48,211	-	1,135,806
Foreign issuers	1,150,464	-	1,150,464	7,334	-	1,157,798
Treasury bills and other						
Government bonds	1,214,607	(8)	1,214,599	(53)	-	1,214,546
	9,306,624	(91,201)	9,215,423	(55,554)	19,066	9,178,935
Variable income:						
Shares in Portuguese companies	151,974	(85,002)	66,972	4,125	-	71,097
Shares in foreign companies	46,645	(292)	46,353	43,571	-	89,924
Investment fund units	1,528,922	(140,928)	1,387,994	51,080	-	1,439,074
	1,727,541	(226,222)	1,501,319	98,776	-	1,600,095
	11,034,165	(317,423)	10,716,742	43,222	19,066	10,779,030

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 30 June 2016, by valuation levels, is analysed as follows:

	Jun 2016			
	Level 1 Euros '000	**Level 2 Euros '000**	**Level 3 Euros '000**	**Total Euros '000**
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,031,365	-	38,790	4,070,155
Foreign issuers	2,765,495	-	168,579	2,934,074
Bonds issued by other entities				
Portuguese issuers	1,027,151	84,165	188,028	1,299,344
Foreign issuers	166,445	225,418	93,037	484,900
Treasury bills and other Government bonds	1,261,047	-	148,712	1,409,759
	9,251,503	309,583	637,146	10,198,232
Impairment for overdue securities	-	-	(3,722)	(3,722)
	9,251,503	309,583	633,424	10,194,510
Variable income:				
Shares in Portuguese companies	12,932	998	59,542	73,472
Shares in foreign companies	217	322	11,919	12,458
Investment fund units	199	18	1,292,805	1,293,022
Other securities	368	-	-	368
	13,716	1,338	1,364,266	1,379,320
Trading derivatives	11,043	247,778	569,995	828,816
	9,276,262	558,699	2,567,685	12,402,646

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2015, by valuation levels, is analysed as follows:

	Dec 2015			
	Level 1 Euros '000	**Level 2 Euros '000**	**Level 3 Euros '000**	**Total Euros '000**
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,966,983	-	16,851	2,983,834
Foreign issuers	2,335,453	667,428	-	3,002,881
Bonds issued by other entities				
Portuguese issuers	976,997	103,949	78,942	1,159,888
Foreign issuers	157,521	1,062,952	3	1,220,476
Treasury bills and other Government bonds	880,830	316,537	17,179	1,214,546
	7,317,784	2,150,866	112,975	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	7,317,784	2,150,866	108,900	9,577,550
Variable income:				
Shares in Portuguese companies	24,203	1,148	61,028	86,379
Shares in foreign companies	390	335	89,590	90,315
Investment fund units	200	14	1,440,181	1,440,395
Other securities	259	-	-	259
	25,052	1,497	1,590,799	1,617,348
Trading derivatives	76,613	669,496	178,846	924,955
	7,419,449	2,821,859	1,878,545	12,119,853

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

The assets classified as level 3 includes units of closed-ended investment funds in the amount of Euros 1,292,805,000 (31 December 2015: Euros 1,440,181,000) which value resulted from the 'Net assets attributable to unit holders' (NAV) quote determined by the management company and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 129,281,000 (31 December 2015: Euros 144,018,000) in Equity. This impact includes the effect on Fair value reserves and in Net income / (loss) for the period.

The instruments classified as level 3 have associated gains and unrealized losses in the amount of Euros 32,146,000 (31 December 2015: Euros 96,347,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 442,650,000 as at 30 June 2016 (31 December 2015: Euros 282,504,000) and were not generated capital gains or losses in the period.

The reclassifications performed in prior years until 30 June 2016, are analysed as follows:

	At the reclassification date		Jun 2016		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	18,202	18,202	-
Financial assets held to maturity	2,144,892	2,144,892	237,187	220,695	(16,492)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	4,375	4,375	-
Financial assets held to maturity	695,020	695,020	73,724	79,399	5,675
	5,750,236	5,750,236	333,488	322,671	(10,817)

The amounts accounted in the income statement and in fair value reserves, as at 30 June 2016 related to financial assets reclassified in prior years, are analysed as follows:

	Income statement	Changes	
	Interests Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	233	(450)	(217)
Financial assets held to maturity	2,437	-	2,437
From Financial assets available for sale to:			
Loans represented by securities	(1,252)	-	(1,252)
Financial assets held to maturity	1,621	126	1,747
	3,039	(324)	2,715

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 30 June 2016, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	(450)	56	394	-
Financial assets held to maturity	(10,101)	(6,391)	-	(16,492)
From Financial assets available for sale to:				
Financial assets held to maturity	-	-	5,675	5,675
	(10,551)	(6,335)	6,069	(10,817)

As at 31 December 2015, this reclassification is analysed as follows:

	At the reclassification date		Dec 2015		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	18,879	18,879	-
Financial assets held to maturity	2,144,892	2,144,892	236,866	230,475	(6,391)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	87,900	92,226	4,326
Financial assets held to maturity	695,020	695,020	141,061	140,072	(989)
	5,750,236	5,750,236	484,706	481,652	(3,054)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2015, related to reclassified financial assets are analysed as follows:

	Income statement	Changes	
	Interest Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	487	(1,558)	(1,071)
Financial assets held to maturity	9,140	-	9,140
From Financial assets available for sale to:			
Loans represented by securities	3,945	5	3,950
Financial assets held to maturity	3,508	252	3,760
	17,080	(1,301)	15,779

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2015, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	(1,558)	1,613	(55)	-
Financial assets held to maturity	(53,746)	47,355	-	(6,391)
From Financial assets available for sale to:				
Loans represented by securities	-	-	4,326	4,326
Financial assets held to maturity	-	-	(989)	(989)
	(55,304)	48,968	3,282	(3,054)

The changes occurred in impairment for financial assets available for sale are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	317,423	287,106
Transfers	(2)	-
Impairment against profit and loss	171,996	26,976
Amounts charged-off	(6,064)	(21,364)
Exchange rate differences	(46)	(3)
Other variations	1,475	(9,349)
Balance on 30 June	484,782	283,366

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgment in which the Group takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:
- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 30 June 2016 is as follows:

	Jun 2016					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	300	1,561,533	2,508,322	-	4,070,155
Foreign issuers	86,873	435,990	2,287,140	124,071	-	2,934,074
Bonds issued by other entities						
Portuguese issuers	118	8,925	869,764	416,815	3,722	1,299,344
Foreign issuers	225,418	15	41,866	217,598	3	484,900
Treasury bills and other Government bonds	293,951	1,103,008	11,186	1,614	-	1,409,759
	606,360	1,548,238	4,771,489	3,268,420	3,725	10,198,232
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	606,360	1,548,238	4,771,489	3,268,420	3	10,194,510
Variable income:						
Companies' shares						
Portuguese companies					73,472	73,472
Foreign companies					12,458	12,458
Investment fund units					1,293,022	1,293,022
Other securities					368	368
					1,379,320	1,379,320
	606,360	1,548,238	4,771,489	3,268,420	1,379,323	11,573,830

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2015, is as follows:

	Dec 2015					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,329	1,757	521,456	2,458,292	-	2,983,834
Foreign issuers	81,206	459,954	2,231,720	230,001	-	3,002,881
Bonds issued by other entities						
Portuguese issuers	11,085	1,468	642,510	500,750	4,075	1,159,888
Foreign issuers	986,517	1,272	83,651	149,033	3	1,220,476
Treasury bills and other Government bonds	549,975	650,457	12,436	1,678	-	1,214,546
	1,631,112	1,114,908	3,491,773	3,339,754	4,078	9,581,625
Impairment for overdue securities	-	-	-	-	(4,075)	(4,075)
	1,631,112	1,114,908	3,491,773	3,339,754	3	9,577,550
Variable income:						
Companies' shares						
Portuguese companies					86,379	86,379
Foreign companies					90,315	90,315
Investment fund units					1,440,395	1,440,395
Other securities					259	259
					1,617,348	1,617,348
	1,631,112	1,114,908	3,491,773	3,339,754	1,617,351	11,194,898

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 30 June 2016 is as follows:

	Jun 2016				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	3	3
Textiles	-	7,542	-	203	7,745
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	11	-	-	11
Chemicals	25,567	7	-	-	25,574
Machinery, equipment and basic metallurgical	-	6	-	-	6
Construction	-	11	-	2,394	2,405
Retail business	3,000	1,180	-	-	4,180
Wholesale business	-	721	-	126	847
Restaurants and hotels	-	14,288	-	-	14,288
Transport and communications	647,247	25,548	-	-	672,795
Services (*)	1,104,705	36,610	1,293,023	1	2,434,339
Other international activities	-	6	367	-	373
	1,780,519	85,930	1,293,390	3,725	3,163,564
Government and Public securities	7,004,229	-	1,409,759	-	8,413,988
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	8,784,748	85,930	2,703,149	3	11,573,830

(*) The balance Other financial assets includes restructuring funds which are classified in the Services sector of activity, but which have the core segment as disclosed in note 55.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2015 is as follows:

	Dec 2015				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	3	3
Textiles	-	7,447	-	361	7,808
Wood and cork	-	-	-	998	998
Paper, printing and publishing	13,240	37	-	-	13,277
Chemicals	25,000	7	-	-	25,007
Machinery, equipment and basic metallurgical	-	7	-	-	7
Construction	-	945	-	2,539	3,484
Retail business	3,000	1,346	-	-	4,346
Wholesale business	-	852	-	176	1,028
Restaurants and hotels	-	14,293	-	-	14,293
Transport and communications	480,875	35,403	-	-	516,278
Services (*)	1,854,171	116,353	1,439,800	1	3,410,325
Other international activities	-	4	854	-	858
	2,376,286	176,694	1,440,654	4,078	3,997,712
Government and Public securities	5,986,715	-	1,214,546	-	7,201,261
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	8,363,001	176,694	2,655,200	3	11,194,898

(*) The balance Other financial assets includes restructuring funds which are classified in the Services sector of activity, but which have the core segment as disclosed in note 55.

The Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities.

The analysis of trading derivatives, by maturity, as at 30 June 2016, is as follows:

	Jun 2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	637,378	1,389,004	10,623,416	12,649,798	555,909	555,598
Interest rate options (purchase)	20,273	97,388	139,513	257,174	163	-
Interest rate options (sale)	20,273	213,371	139,514	373,158	-	1,029
Other interest rate contracts	-	198,187	92,905	291,092	2,771	9,590
	677,924	1,897,950	10,995,348	13,571,222	558,843	566,217
Stock Exchange transactions:						
Interest rate futures	120,607	7,206	-	127,813	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	357,941	194,915	27,634	580,490	6,671	6,853
Currency swaps	2,312,536	201,907	-	2,514,443	27,770	8,257
Currency options (purchase)	11,620	46,026	-	57,646	1,512	-
Currency options (sale)	9,035	46,026	-	55,061	-	1,600
	2,691,132	488,874	27,634	3,207,640	35,953	16,710
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	588,196	1,410,759	1,686,303	3,685,258	2,371	11,050
Shares/indexes options (sale)	-	-	2,067	2,067	-	-
Others shares/indexes options (purchase)	-	-	-	-	13,242	-
	588,196	1,410,759	1,688,370	3,687,325	15,613	11,050
Stock exchange transactions:						
Shares futures	453,516	-	-	453,516	-	-
Shares/indexes options (purchase)	207,829	349,383	152,278	709,490	11,043	-
Shares/indexes options (sale)	16,205	89,003	1,276	106,484	-	5,522
	677,550	438,386	153,554	1,269,490	11,043	5,522
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	84,262	-	-	84,262	-	-
Commodities options (purchase)	5,051	-	-	5,051	-	-
Commodities options (sale)	5,051	-	-	5,051	-	-
	94,364	-	-	94,364	-	-
Credit derivatives:						
OTC Market:						
Credit Default swaps	271,200	514,450	1,186,882	1,972,532	207,163	7,810
Other credit derivatives (sale)	-	-	10,859	10,859	-	-
	271,200	514,450	1,197,741	1,983,391	207,163	7,810
Total financial instruments traded in:						
OTC Market	4,228,452	4,312,033	13,909,093	22,449,578	817,572	601,787
Stock Exchange	892,521	445,592	153,554	1,491,667	11,043	5,522
Embedded derivatives					201	5,786
	5,120,973	4,757,625	14,062,647	23,941,245	828,816	613,095

The analysis of trading derivatives, by maturity, as at 31 December 2015, is as follows:

	Dec 2015					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreements	-	762,213	-	762,213	106	8
Interest rate swaps	1,678,530	1,804,361	11,818,664	15,301,555	561,728	533,477
Interest rate options (purchase)	825	20,309	156,714	177,848	1,373	-
Interest rate options (sale)	1	219,709	156,714	376,424	-	596
Other interest rate contracts	299,010	125,807	121,478	546,295	44,519	48,776
	1,978,366	2,932,399	12,253,570	17,164,335	607,726	582,857
Stock Exchange transactions:						
Interest rate futures	31,022	55,112	-	86,134	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	484,876	183,025	29,811	697,712	4,560	5,982
Currency swaps	2,196,977	254,136	2,443	2,453,556	30,680	26,195
Currency options (purchase)	13,680	22,828	-	36,508	804	-
Currency options (sale)	11,344	24,586	-	35,930	-	841
	2,706,877	484,575	32,254	3,223,706	36,044	33,018
Shares/debt instruments derivatives:						
OTC Market:						
Shares/indexes swaps	360,291	1,794,535	1,544,975	3,699,801	3,625	15,666
Shares/indexes options (sale)	-	-	2,067	2,067	-	4,500
Other shares/indexes options (purchase	-	-	-	-	12,194	-
	360,291	1,794,535	1,547,042	3,701,868	15,819	20,166
Stock Exchange transactions:						
Shares futures	422,870	-	-	422,870	-	-
Shares/indexes options (purchase)	106,650	471,018	205,923	783,591	76,613	-
Shares/indexes options (sale)	8,999	141,332	5,334	155,665	-	63,153
	538,519	612,350	211,257	1,362,126	76,613	63,153
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	86,888	-	-	86,888	-	-
Credit derivatives:						
OTC Market:						
Credit Default swaps	242,800	921,150	1,620,250	2,784,200	188,706	14,699
Other credit derivatives (sale)	-	-	11,738	11,738	-	-
	242,800	921,150	1,631,988	2,795,938	188,706	14,699
Total financial instruments traded in:						
OTC Market	5,288,334	6,132,659	15,464,854	26,885,847	848,295	650,740
Stock Exchange	656,429	667,462	211,257	1,535,148	76,613	63,153
Embedded derivatives					47	9,335
	5,944,763	6,800,121	15,676,111	28,420,995	924,955	723,228

24. Hedging derivatives

This balance is analysed as follows:

	Jun 2016		Dec 2015	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Hedging instruments				
Swaps	115,022	484,329	72,957	541,230
Others	-	-	170	-
	115,022	484,329	73,127	541,230

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2 and 3. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the first semester of 2016, of a positive amount of Euros 9,492,000 (31 December 2015: positive amount of Euros 961,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the first semester of 2016 of a negative amount of Euros 1,949,000 (31 December 2015: negative amount of Euros 1,038,000).

During the first semester of 2016, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 3,758,000 (31 December 2015: positive amount Euros 912,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

Hedged item	Jun 2016 Euros '000	Dec 2015 Euros '000
Loans	11,024	5,647
Deposits	(20,128)	(32,530)
Debt issued	(60,898)	(68,565)
	(70,002)	(95,448)

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2016, is as follows:

	Jun 2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	10,825	341,100	3,926,888	4,278,813	23,380	118,915
Others	175,000	100,000	-	275,000	43	2,910
	185,825	441,100	3,926,888	4,553,813	23,423	121,825
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	112,709	268,248	5,966,541	6,347,498	59,183	147
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Other currency contracts	635,730	1,469,235	2,055,791	4,160,756	976	362,357
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	60,311	175,695	311,724	547,730	31,440	-
Total financial instruments						
Traded by:						
OTC Market	994,575	2,354,278	12,260,944	15,609,797	115,022	484,329

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2015, is as follows:

	Dec 2015					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	4,040	139,291	3,401,016	3,544,347	35,145	40,922
Other interest rate contracts	-	-	99,944	99,944	-	33,047
Other	150,000	-	-	150,000	170	-
	154,040	139,291	3,500,960	3,794,291	35,315	73,969
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	46,905	299,022	5,852,443	6,198,370	9,338	142
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Forward exchange contract	832,032	1,289,909	1,660,321	3,782,262	14,198	466,836
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	60,827	236,006	253,666	550,499	14,276	283
Total financial instruments						
Traded by:						
OTC Market	1,093,804	1,964,228	11,267,390	14,325,422	73,127	541,230

25. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Bonds and other fixed income securities		
Issued by public entities	50,660	118,125
Issued by other entities	368,365	376,766
	419,025	494,891

As at 30 June 2016, the balance Financial assets held to maturity includes the amount of Euros 237,187,000 (31 December 2015: Euros 236,866,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 30 June 2016, the balance Financial assets held to maturity also includes the amount of Euros 73,724,000 (31 December 2015: Euros 73,533,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 30 June 2016, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,660	55,661
Issued by other entities						
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	75,937	81,612
Edia Sa 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0,5%	40,000	39,005	28,372
Stcp 00/05.06.2022 - 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M+0,69%	100,000	98,589	86,262
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	50,425	51,891
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.277%	60,272	60,279	59,503
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	0.897%	26,300	26,311	24,759
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.337%	17,800	17,819	14,184
					368,365	346,583
					419,025	402,244

As at 31 December 2015, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,597	56,591
OT Angola 7.5 PCT 12/15.03.2016	Angola	March, 2016	7.500%	3,825	3,929	3,969
OT Angola 7 PCT 15/15.06.2017	Angola	June, 2017	7.000%	6,501	6,484	5,956
OT Angola 7.75 PCT 13/09.10.2017	Angola	October, 2017	7.500%	1,696	1,749	1,606
OT Angola 8 PCT 13/23.10.2017	Angola	October, 2017	7.500%	7,803	8,057	7,385
OT Angola 7.25 PCT 15/15.06.2018	Angola	June, 2018	7.250%	6,501	6,449	5,639
OT Angola 8 PCT 13/09.10.2018	Angola	October, 2018	7.750%	1,696	1,762	1,551
OT Angola 8.25 PCT 13/23.10.2018	Angola	October, 2018	7.750%	13,568	14,115	12,412
OT Angola 7.50 PCT 15/15.06.2018	Angola	June, 2019	7.500%	6,501	6,389	5,409
OT Angola 7.7 PCT 15/15.06.2020	Angola	June, 2020	7.700%	6,501	6,294	5,207
OT Angola 8 PCT 15/15.06.2021	Angola	June, 2021	8.000%	6,501	6,206	5,094
OT Angola 8.25 PCT 15/15.06.2022	Angola	June, 2022	8.250%	6,502	6,094	4,998
					118,125	115,817
Issued by other entities						
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,190	82,100
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.053%	40,000	38,968	31,773
Stcp 00/05.06.2022- 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	-0.044%	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.412%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.032%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.472%	17,800	17,821	14,187
					376,766	367,008
					494,891	482,825

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 30 June 2016 is as follows:

	Jun 2016				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	-	-	50,660	-	50,660
Bonds issued by other entities					
Portuguese issuers	-	-	75,937	137,594	213,531
Foreign issuers	-	50,425	-	104,409	154,834
	-	50,425	126,597	242,003	419,025

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2015 is as follows:

	Dec 2015				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	3,929	-	101,896	12,300	118,125
Bonds issued by other entities					
Portuguese issuers	-	-	74,191	137,436	211,627
Foreign issuers	-	-	51,337	113,802	165,139
	3,929	-	227,424	263,538	494,891

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Transports and communications	174,526	172,658
Services	193,839	204,108
	368,365	376,766
Government and Public securities	50,660	118,125
	419,025	494,891

As part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, in which are included fixed income securities.

26. Investments in associated companies

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Portuguese credit institutions	50,891	34,465
Foreign credit institutions	243,112	31,776
Other Portuguese companies	260,755	243,943
Other foreign companies	3,978	5,545
	558,736	315,729

The balance Investments in associated companies is analysed as follows:

	Jun 2016			
	Value of ownership on equity Euros '000	Goodwill Euros '000	Total Euros '000	Dec 2015 Euros '000
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	235,905	-	235,905	222,914
Banco Millennium Atlântico, S.A.	110,406	100,747	211,153	-
Unicre - Instituição Financeira de Crédito, S.A.	43,455	7,436	50,891	34,465
Banque BCP, S.A.S.	30,684	-	30,684	29,240
SIBS, S.G.P.S, S.A.	23,392	-	23,392	19,651
Banque BCP (Luxembourg), S.A.	1,275	-	1,275	2,536
Others	5,414	22	5,436	6,923
	450,531	108,205	558,736	315,729

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 57.

The investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the Group.

In accordance with the note 46, the Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S,A., which started to be accounted by the equity method in May 2016. The main impacts of this transaction are detailed in note 56.

The goodwill associated with Banco Millennium Atlântico, S.A. was determined as follows:

	Jun 2016 Euros '000
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	
Transaction value	205,140
Banco Millennium Atlântico, S.A. equity (April 2016)	(135,540)
Goodwill arising from the merger operation	69,600
Goodwill accounted in Banco Millennium Atlântico, S.A. accounts (April 2016)	31,147
	100,747

The fair value estimate of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted essentially by the currency translaction adjustments from the end of the year untill that date. Additionally, it was considered an adjustment in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main indicators of the principal associated companies are analysed as follows:

	% held	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income / (loss) for the period Euros '000
Jun 2016					
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	49.0	10,316,458	9,501,941	239,643	11,238
Banco Millennium Atlântico, S.A.	22.5	5,316,240	4,687,862	321,226	92,387
Unicre - Instituição Financeira de Crédito, S.A.	32.0	367,594	231,795	134,721	51,346
Banque BCP, S.A.S.	19.9	3,009,847	2,855,658	60,082	7,258
SIBS, S.G.P.S, S.A. (*)	21.9	158,404	51,795	82,278	7,607
Banque BCP (Luxembourg), S.A.	3.6	579,612	544,523	8,412	540
Dec 2015					
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	49.0	10,787,729	9,993,327	959,456	18,160
Unicre - Instituição Financeira de Crédito, S.A.	32.0	347,731	209,304	205,792	39,872
Banque BCP, S.A.S.	19.9	2,555,870	2,408,936	123,780	14,817
SIBS, S.G.P.S, S.A.	21.9	158,404	59,402	164,555	20,426
Banque BCP (Luxembourg), S.A.	7.3	581,085	546,535	17,183	755

(*) - Provisional values.

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Banco Millennium Atlântico, S.A.
Nature of the relationship with the Group	Associated	Associated
Country of the activity	Portugal	Angola
% held	49.0	22.5

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, SGPS, S.A. and Banco Millennium Atlântico, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.
	Jun 2016 Euros '000	Jun 2015 Euros '000	Jun 2016 Euros '000
Income	296,825	607,899	321,226
Net profit for the period	11,238	26,410	92,387
Comprehensive income	8,878	(14,425)	(19)
Total comprehensive income	20,116	11,985	92,368
Attributable to Shareholders of the associates	20,116	11,985	92,368
Adjustments of intra-group transactions	6,396	6,720	-
Attributable to Shareholders of the associates adjusted of intra-group transactions	26,512	18,705	92,368
Financial assets	9,873,707	10,515,688	4,666,750
Non-financial assets	442,751	437,010	649,490
Financial liabilities	(9,392,637)	(10,009,223)	(4,544,314)
Non-financial liabilities	(109,304)	(153,200)	(143,548)
Equity	814,517	790,275	628,378
Attributable to Shareholders of the associates	814,517	790,275	628,378
Adjustments of intra-group transactions	297,824	284,708	-
Attributable to Shareholders of the associates adjusted of intra-group transactions	1,112,341	1,074,983	628,378
Value of ownership by BCP on equity of the associates as at 1 January	222,914	236,768	-
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	205,140
Exchange differences	-	-	2,779
Other comprehensive income attributable to BCP during the period	4,351	(2,354)	308
Dividends received	-	(29,400)	-
Appropriation by BCP of net income of the associates (*)	8,640	16,234	2,953
Appropriation of the net income of previous periods	-	(3,649)	-
Other adjustments	-	-	(27)
Investment held as at 30 June	235,905	217,599	211,153

(*) - includes adjustments of intra-group transactions.

27. Non-current assets held for sale

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Assets arising from recovered loans		
Real estate	1,952,661	1,815,792
Other assets	32,413	32,179
Subsidiaries acquired exclusively with the purpose of short-term sale	76,541	68,988
Other	70,180	113,593
	2,131,795	2,030,552
Impairment		
Real estate	(216,137)	(232,147)
Other assets	(9,524)	(33,023)
	(225,661)	(265,170)
	1,906,134	1,765,382

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Assets arising from recovered loans results, essentially, from the settlement of loans agreements with customers and includes operations resulting from i) recovered loans, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or promise of recovered loans and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) resolution of leasing contracts.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 38,192,000 (31 December 2015: Euros 31,121,000).

As at 30 June 2016, the balance Assets arising from recovered loans - Real estate and other assets includes the amount of Euros 346,305,000 (31 December 2015: Euros 326,451,000) related to properties and other assets of Closed Real Estate Investment Funds, whose units were received following foreclosure operations and in accordance with IFRS, were subject to full consolidation method.

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to 4 real estate companies acquired by the Group within the restructuring of a loan exposure that the Group intends to sell in less than one year (note 57). However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time. Until the date of the sale, the Group continues to consolidate in reserves and income, any changes occurred in the net assets of the subsidiaries.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	265,170	261,575
Transfers	(13,788)	821
Impairment for the year	9,135	44,227
Write-back for the year	(339)	(229)
Loans charged-off	(33,475)	(27,685)
Exchange rate differences	(1,042)	(277)
Balance on 30 June	225,661	278,432

28. Investment property

As at 30 June 2016, the balance Investment property includes the amount of Euros 131,601,000 (31 December 2015: Euros 144,644,000) related to real estate accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Imoport - Fundo de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

The rents received related to real estate amount to Euros 605,000 (31 December 2015: Euros 1,328,000), as at 30 June 2016, and the maintenance expenses related to rented or not rented real estate, amount to Euros 508,000 (31 December 2015: Euros 1,145,000).

29. Other tangible assets

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Land and buildings	858,757	1,058,719
Equipment		
Furniture	83,693	88,230
Machinery	45,188	55,715
Computer equipment	282,179	298,890
Interior installations	136,828	147,051
Motor vehicles	23,027	27,238
Security equipment	71,918	80,307
Other equipment	29,849	31,157
Work in progress	15,678	16,661
Other tangible assets	494	4,711
	1,547,611	1,808,679
Accumulated depreciation		
Charge for the period	(20,098)	(41,773)
Charge for the previous periods	(1,052,363)	(1,096,035)
	(1,072,461)	(1,137,808)
	475,150	670,871

30. Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Intangible assets		
Software	91,927	120,432
Other intangible assets	52,196	52,496
	144,123	172,928
Accumulated depreciation		
Charge for the period	(5,382)	(12,305)
Charge for the previous periods	(110,912)	(125,401)
	(116,294)	(137,706)
	27,829	35,222
Goodwill		
Bank Millennium, S.A. (Poland)	125,447	125,447
Real estate and mortgage credit	40,859	40,859
Others	20,060	26,095
	186,366	192,401
Impairment		
Others	(19,220)	(16,707)
	167,146	175,694
	194,975	210,916

According to the accounting policy described in note 1 b), the recoverable amount of the Goodwill is annually assessed in the second semester of each year.

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2015, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each entity;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these valuations might vary with the change in economic conditions and in the market.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2020. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators referening to the goodwill of this participation .

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2016 to 2020, considering, along this period, a compound annual growth rate of 6.3% for Total Assets and of 7.7% for Total Equity, while considering a ROE evolution from 10.1% in 2016 to 12.1% by the end of the period.

The exchange rate EUR/PLN considered was 4.2609 at the end of 2015 (December 2015 average: 4.2915).

The Cost of Equity considered was 9.00% for the period 2016-2020 and in perpetuity. The annual growth rate in perpetuity (g) was 2.5%.

Real estate and mortgage credit

Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee for real estate business and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion. Based on this analysis and the expectations of future development, the Group conclude for the absence of impairment indicators referening to the goodwill of this participation.

The Real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for such business unit comprises a five-year period, from 2016 to 2020, considering, along this period, a compound annual growth rate of -3.9% for Total Assets and of -1.2% for the Allocated Capital and an average ROE evolution from 15.9% estimated for 2015 to 16.1% by the end of the period.

The Cost of Equity considered was 8.75% for the period 2016-2020 and 9.28% in perpetuity.

An average exit multiple of 1.77x was considered in relation to Allocated Capital at the end of 2020, applied to the group of businesses associated with Real estate and mortgage business.

31. Income Tax

Deferred income tax assets and liabilities, are analysed as follows:

	Jun 2016			Dec 2015		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Deferred taxes not depending on the future profits (a)						
Impairment losses	902,768	-	902,768	940,454	-	940,454
Employee benefits	789,277	-	789,277	767,077	-	767,077
	1,692,045	-	1,692,045	1,707,531	-	1,707,531
Deferred taxes depending on the future profits						
Intangible assets	43	-	43	43	-	43
Other tangible assets	7,427	3,678	3,749	7,370	3,825	3,545
Impairment losses	487,177	31,697	455,480	930,319	521,777	408,542
Employee benefits	27,690	-	27,690	2,637	-	2,637
Financial assets available for sale	38,458	19,140	19,318	27,498	33,694	(6,196)
Derivatives	-	7,504	(7,504)	-	7,663	(7,663)
Tax losses carried forward	431,996	-	431,996	318,494	-	318,494
Others	169,064	26,201	142,863	168,731	48,968	119,763
	1,161,855	88,220	1,073,635	1,455,092	615,927	839,165
Total deferred taxes	2,853,900	88,220	2,765,680	3,162,623	615,927	2,546,696
Offset between deferred tax assets and deferred tax liabilities	(86,498)	(86,498)	-	(601,117)	(601,117)	-
Net deferred taxes	2,767,402	1,722	2,765,680	2,561,506	14,810	2,546,696

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after January 1, 2016, neither to deferred tax assets associated with them.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date.

The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate for Banco Comercial Português, S.A. is analysed as follows:

Description	Jun 2016	Dec 2015
Income tax (a)	21.0%	21.0%
Municipal surtax rate	1.5%	1.5%
State tax rate	7.0%	7.0%
Total (b)	29.5%	29.5%

The tax applicable to deferred taxes related to tax losses of the Bank is 21% (31 December 2015: 21%).

The average tax applicable to deferred taxes related to temporary differences of the Bank is 29.43% (31 December 2015: 29.5%).

Following the Notice of Banco of Portugal No 5/2015, which revoked the Notice of Banco de Portugal No 3/95 and 1/2005, the Group started to prepare their separate financial statements according to the International Accounting Standards as adopted by the European Union, including the accounting policies relating to the determination of impairment.

According to the Regulation Decree No. 19/2015 of 30 December, the Bank is considering, in the calculation of their taxable income with reference to 30 June 2016, that the value of the impairment loss that is deductible for income taxes purposes is limited to the amount of the deductible provisions which would be obtained if the Notice of Banco of Portugal No 3/95 was still in force, position which, at this stage, it is assumed to be the tax administration, in terms whose confirmation is expected until 31 December 2016.

The Bank will be following this issue, reflecting for the relevant effects, any changes that could be imposed under this scope, against the criteria adopted as at 30 June 2016.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

Expire date	Jun 2016 Euros '000	Dec 2015 Euros '000
2016	1,223	2,072
2017	-	30,019
2018	4,400	113,145
2019-2025	188	253
2026	283,002	172,982
2028	143,160	-
2029 and following	23	23
	431,996	318,494

In accordance with the accounting policy and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability. The assessment of the recoverability of deferred tax assets was performed for each entity included in the Group's consolidation perimeter based on the respective business plans approved by the Board of Directors for the period 2016-2018.

The forecasted financial statements of the Group prepared under the budget procedure for 2016 and that supports the future taxable income relating to each Group entity, took into account the macroeconomic and competitive environment while consolidate the Group's strategic priorities.

The expectation of future taxable income in Portugal is supported primarily on the positive developments of:

i) net interest income, reflecting the positive impact of the reimbursement of CoCos and sustained decline in the cost of long term deposits from customers;
ii) the reduction in operating costs, reflecting the effect of decreases in numbers of employees and branches;
iii) loans impairment charges.

The recoverability of deferred tax assets was revaluated based on the calculation of estimated taxable income with reference to 30 June 2016.

In accordance with this assessment, the amount of unrecognized deferred tax, by year of expiration, is as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Tax losses carried forward		
2017	291,777	262,041
2018	162,815	54,697
2019-2025	18	8
2026	808	121,651
2027 and following	6,413	5,588
	461,831	443,985

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 30 June 2016, is analysed as follows:

	Jun 2016			
	Net income / (loss) for the period Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations and other variations Euros '000
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	380,439	(418,125)	-	-
Employee benefits	20,546	1,654	-	-
	400,985	(416,471)	-	-
Deferred taxes depending on the future profits				
Other tangible assets	262	-	(58)	-
Impairment losses	(402,995)	439,171	(2,921)	13,683
Employee benefits	2,252	22,102	699	-
Financial assets available for sale	-	30,794	(5,280)	-
Derivatives	845	-	(686)	-
Tax losses carried forward	111,520	2,034	(52)	-
Others	21,879	-	1,732	(511)
	(266,237)	494,101	(6,566)	13,172
	134,748	77,630	(6,566)	13,172
Current taxes				
Actual year	(56,996)	147	-	2
Correction of previous years	549	(62)	-	-
	(56,447)	85	-	2
	78,301	77,715	(6,566)	13,174

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 30 June 2015, is analysed as follows:

	Jun 2015 (restated)			
	Net income / (loss) for the period	Reserves and retained earnings	Exchange differences	Discontinued operations and other variations
	Euros '000	Euros '000	Euros '000	Euros '000
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	23,544	-	-	-
Employee benefits	23,476	36,037	-	-
	47,020	36,037	-	-
Deferred taxes depending on the future profits				
Other tangible assets	(142)	-	37	-
Impairment losses	1,030	-	1,318	(8,457)
Employee benefits	(312)	-	77	(463)
Financial assets available for sale	-	76,986	269	-
Derivatives	(3,521)	-	15	-
Tax losses carried forward	(40,544)	32,484	1,716	492
Others	(4,836)	-	777	(375)
	(48,325)	109,470	4,209	(8,803)
	(1,305)	145,507	4,209	(8,803)
Current taxes				
Actual year	(44,106)	93	-	-
Correction of previous years	(698)	-	-	-
	(44,804)	93	-	-
	(46,109)	145,600	4,209	(8,803)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after January 1, 2016, neither to deferred tax assets associated with them.

The reconciliation of the effective tax rate, arising from the permanent effects, is analysed as follows:

	Jun 2016	Jun 2015 (restated)
	Euros '000	Euros '000
Net income / (loss) before income taxes	(241,262)	302,759
Current tax rate	29.5%	29.5%
Expected tax	71,172	(89,314)
Non deductible impairment	(10,844)	(16,462)
Contribution for the banking sector	(7,322)	(7,356)
Results of companies consolidated by the equity method	11,126	6,181
Other accruals for the purpose of calculating the taxable income	(7,888)	(7,173)
Effect of difference of rate tax and deferred tax not recognised previously (a)	11,761	68,233
Correction of previous periods	11,080	960
(Autonomous tax) / tax credits	(784)	(1,178)
Total income tax	78,301	(46,109)
Effective rate	32.5%	15.2%

(a) - The value of June 2015 corresponds, essentially, to the recognition of deferred tax assets associated to post-employment benefits or long-term employee in excess of the limits.

32. Other assets

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Debtors	207,542	147,793
Supplementary capital contributions	211,977	208,951
Amounts due for collection	25,514	34,302
Other recoverable tax	20,765	25,239
Subsidies receivables	6,018	9,117
Associated companies	236	1,535
Interest and other amounts receivable	56,587	52,708
Prepayments expenses	36,098	38,870
Amounts receivable on trading activity	57,443	177,439
Amounts due from customers	206,816	223,907
Reinsurance technical provision	12,317	3,423
Sundry assets	306,201	291,887
	1,147,514	1,215,171
Impairment for other assets	(268,119)	(240,943)
	879,395	974,228

As referred in note 55, the balance Supplementary capital contributions includes the amount of Euros 210,632,000 (31 December 2015: Euros 207,611,000) and the balance Sundry assets includes the amount of Euros 2,939,000 (31 December 2015: Euros 2,939,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided.

As at 31 December 2015, the balance Sundry assets included the amount of Euros 22,182,000 related to obligations associated with post-employment benefits, as mentioned in note 48.

The changes occurred in impairment for other assets are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	240,943	138,959
Transfers resulting from changes in the Group's structure	-	339
Other transfers	22,472	27,397
Impairment for the period	5,327	10,308
Write back for the period	(152)	(64)
Amounts charged-off	(120)	(3,197)
Exchange rate differences	(351)	(68)
Balance on 30 June	268,119	173,674

33. Deposits from credit institutions

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Deposits from Central Banks	5,959,332	5,863,401
Deposits from credit institutions in Portugal	440,525	155,548
Deposits from credit institutions abroad	4,828,791	2,572,096
	11,228,648	8,591,045

Following the signed agreements of derivative financial transactions with institutional counterparties and according to the signed agreements, the Group has, as at 30 June 2016, the amount of Euros 73,085,000 (31 December 2015: 71,669,000) regarding deposits from other credit institutions received as collateral of the mentioned transactions.

34. Deposits from customers

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Deposits from customers:		
Repayable on demand	19,951,568	20,543,468
Term deposits	21,974,829	24,604,427
Saving accounts	2,709,758	2,372,829
Deposits at fair value through profit and loss	3,636,172	3,593,761
Treasury bills and other assets sold under repurchase agreement	123,408	89,966
Others	366,302	334,132
	48,762,037	51,538,583

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

The balance Deposits from customers - Deposits at fair value through profit and loss is measured at fair value in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 3. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d) and a gain of Euros 2,832,000 was recognised during the first semester of 2016 (30 June 2015: loss of Euros 2,662,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to, as at 30 June 2016, Euros 3,642,770,000 (31 December 2015: Euros 3,605,424,000).

The caption Other includes the amount of Euros 298,822,000 (31 December 2015: Euros 213,209,000) on the cheques and orders to pay.

35. Debt securities issued

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Debt securities at amortized cost		
Bonds	1,136,732	1,691,299
Covered bonds	1,321,650	1,331,190
MTNs	416,312	546,739
Securitizations	404,018	439,013
	3,278,712	4,008,241
Accruals	18,738	44,430
	3,297,450	4,052,671
Debt securities at fair value through profit and loss		
Bonds	36,223	43,607
MTNs	157,635	160,150
	193,858	203,757
Accruals	359	3,996
	194,217	207,753
Certificates	526,393	507,845
	4,018,060	4,768,269

The securities in balance Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). During the first semester of 2016, a loss in the amount of Euros 923,000 was recognised (30 June 2015: loss of Euros 6,797,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal value of the caption Debt securities at fair value through profit and loss includes, as at 30 June 2016, the amount of Euros 179,999,000 (31 December 2015: Euros 187,890,000).

36. Financial liabilities held for trading

The balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Short selling securities	500	-
FRA	-	8
Swaps	592,305	638,813
Options	8,151	69,090
Embedded derivatives	5,786	9,335
Forwards	6,853	5,982
	613,595	723,228
Level 1	5,522	63,153
Level 2	92,699	643,567
Level 3	515,374	16,508

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

The balance Financial liabilities held for trading includes, as at 30 June 2016, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 5,786,000 (31 December 2015: Euros 9,335,000). This note should be analysed together with note 23.

37. Provisions

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Provision for guarantees and other commitments	82,213	74,710
Technical provision for the insurance activity		
For direct insurance and reinsurance accepted		
Unearned premium	12,427	14,695
Life insurance	35,950	46,553
For participation in profit and loss	1,390	3,039
Other technical provisions	15,531	8,905
Other provisions for liabilities and charges	142,980	136,908
	290,491	284,810

Changes in Provision for guarantees and other commitments are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	74,710	250,158
Transfers resulting from changes in the Group's structure	(930)	35
Other transfers	102	(158,870)
Charge for the period	14,384	3,990
Write-back for the period	(4,167)	(11,597)
Exchange rate differences	(1,886)	121
Balance on 30 June	82,213	83,837

Changes in Other provisions for liabilities and charges are analysed as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Balance on 1 January	136,908	127,403
Transfers resulting from changes in the Group's structure	(1,879)	207
Other transfers	13,696	(1,542)
Charge for the period	7,083	18,272
Write-back for the period	(7,828)	(296)
Amounts charged-off	(3,334)	(8,742)
Exchange rate differences	(1,666)	(54)
Balance on 30 June	142,980	135,248

These provisions were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment.

38. Subordinated debt

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Bonds		
Non Perpetual	858,974	849,026
Perpetual	28,861	28,760
CoCos	757,778	759,813
	1,645,613	1,637,599
Accruals	13,917	7,772
	1,659,530	1,645,371

The balance Subordinated debt - CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares. Throughout 2014 and follwing the capital increase and the assessment of the evolution of capital ratios, the Bank repaid in May the amount of Euros 400,000,000 of core tier I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As at 30 June 2016, the subordinated debt issues are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	52,587	52,587
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	14,888	14,887
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	14,791	14,791
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	9,278	9,278
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	8,119

(continues)

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,448
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	42,011
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	27,532
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,066
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,337
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	51,746
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,271
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	25,950
Bank Millennium:					
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	149,638	149,638
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (iv)	71,209	71,206
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	83,877	61,963
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					858,974
Perpetual Bonds					
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	-	See reference (v)	94	71
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0,9%	23,124	23,297
BCP Leasing 2001	December, 2001	-	Euribor 3M + 2,25%	5,493	5,493
					28,861
CoCos					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (vi)	750,000	757,778
Accruals					13,917
					1,659,530

References:

(i) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(ii) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(iii) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;
(iv) - Euribor 3M + 0.3% (0.8% after December 2011);
(v) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%;
(vi) - 1st year: 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

39. Other liabilities

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Creditors:		
Suppliers	23,530	34,562
From factoring operations	10,423	12,117
Associated companies	2	120
Other creditors	192,167	254,531
Public sector	38,956	44,534
Interests and other amounts payable	104,950	108,518
Deferred income	10,102	10,431
Holiday pay and subsidies	50,108	57,899
Other administrative costs payable	1,345	2,996
Amounts payable on trading activity	43,023	131,793
Other liabilities	502,719	417,174
	977,325	1,074,675

The balance Creditors - Other creditors includes the amount of Euros 46,008,000 (31 December 2015: Euros 46,308,000) related to the seniority premium, as described in note 48.

Additionally, this balance includes the amount of Euros 19,083,000 (31 December 2015: Euros 20,263,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

The balance Creditors - Other creditors also includes the amount of Euros 4,245,000 (31 December 2015: Euros 4,245,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 48. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Group.

The caption Other liabilities included as at 30 June 2016, the amount of Euros 31,995,000 regarding liabilities associated with post-employment benefits, as described in note 48.

40. Share capital, preference shares and other equity instruments

The Bank's share capital amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

Following the authorization given in the Annual General Meeting of Shareholders of 11 May 2015, the Bank carried out in June 2015 an increase in its share capital from Euros 3,706,690,253.08 to Euros 4,094,235,361.88, by the issuance of 4,844,313,860 new ordinary, book-entry shares without nominal value, as a result of the partial and voluntary public tender offer for the acquisition of securities (preferred shares, perpetual securities and subordinated bonds) for exchange of new shares issued at the issue price of Euros 0.0834 per share (of which Euros 0.08 corresponds to the unitary issue value and Euros 0.0034 to share premium) and listing of the new ordinary shares on Euronext Lisbon.

The issue price or value of the Public Exchange Offer was calculated using the volume weighted average quotation of BCP in the last five days applying a discount of 7%. The difference between the issue price (Euros 0.0834 per share), and the issue value (Euros 0.08 per share), resulted in a share premium of Euros 16,470,667.11.

In July 2015, the majority of the preference shares were exchanged for new debt instruments. As at 31 December 2015 and 30 June 2016, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

- 439,684 preference shares with par value of Euros 100 each, in the total amount of Euros 43,968,400, issued on 9 June 2004.
- 15,942 preference shares with par value of Euros 1,000 perpetual each without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

Banco Comercial Português, S.A. issued on 29 June 2012 hybrids subordinated debt instruments qualified as Core Tier I Capital, fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the Portuguese State, under Law no. 63-A/2008 and Implementing Order no. 150-A/2012 (CoCos), the Bank cannot distribute dividends until the issue is fully reimbursed.

As at 30 June 2016, shareholders holding individually or together with their affiliates, 2% or more of the share capital of the Bank, is as follows:

Shareholder	Number of shares	% share capital	% voting rights
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	10,534,115,358	17.84%	17.84%
Sabadell Group	2,994,863,413	5.07%	5.07%
EDP Group	1,513,716,689	2.56%	2.56%
Interoceânico Group	1,207,659,500	2.05%	2.05%
Total Qualified Shareholdings	16,250,354,960	27.52%	27.52%

41. Legal and statutory reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. According to the proposed application of the 2015 annual results approved at the General Meeting of Shareholders on 21 April 2016, the Bank decided to increase its legal reserve in the amount of Euros 22,605,000.

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity.

42. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Fair value reserves		
Financial assets available for sale		
Potential gains and losses recognised		
in fair value reserves	(198,206)	43,222
Loans represented by securities (*)	-	(15)
Financial assets held to maturity (*)	(830)	(381)
Of associated companies and others	8,058	10,559
Cash-flow hedge	118,301	(24,550)
	(72,677)	28,835
Tax		
Financial assets available for sale		
Potential gains and losses recognised		
in fair value reserves	57,553	(10,167)
Loans represented by securities	-	4
Financial assets held to maturity	245	110
Cash-flow hedge	(37,243)	4,468
	20,555	(5,585)
Fair value reserve net of taxes	(52,122)	23,250
Others	(2,673,076)	(2,483,578)
	(2,725,198)	(2,460,328)
Other reserves and retained earnings:		
Legal reserve	215,875	193,270
Statutory reserve	30,000	30,000
Other reserves and retained earnings	2,838,849	2,626,089
Other consolidation reserves	(173,498)	(173,557)
	2,911,226	2,675,802

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

The changes occurred, during the first semester of 2016, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	2016					
	Balance on 1 January Euros '000	Transfers Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 30 June Euros '000
Millenniumbcp Ageas	3,270	-	4,351	-	-	7,621
Portuguese public debt securities	(116,939)	-	(147,682)	-	40	(264,581)
Visa Europe Limited	43,312	-	15,200	-	(58,737)	(225)
Other investments	123,742	-	(214,826)	171,996	(14,705)	66,207
	53,385	-	(342,957)	171,996	(73,402)	(190,978)

The changes occurred during the first semester 2015, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

	2015					
	Balance on 1 January Euros '000	Transfers Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 30 June Euros '000
Millenniumbcp Ageas	(3,902)	-	(2,353)	-	-	(6,255)
Portuguese public debt securities	67,628	282,216	(160,126)	-	(388,148)	(198,430)
Other investments	114,982	-	(21,282)	26,976	(19,146)	101,530
	178,708	282,216	(183,761)	26,976	(407,294)	(103,155)

43. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Jun 2016				
Net book value (Euros '000)	3,671		-	3,671
Number of securities	201,682,429	(*)		
Average book value (Euros)	0.02			
Dec 2015				
Net book value (Euros '000)	1,187		-	1,187
Number of securities	24,280,365	(*)		
Average book value (Euros)	0.05			

The own shares held by the companies included in the consolidation perimeter are within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

(*) As at 30 June 2016, Banco Comercial Português, S.A. does not held treasury stocks and does not performed any purchases or sales of own shares during the period. However, this balance includes 201,682,429 shares (31 December 2015: 24,280,365 shares) owned by clients. Considering the fact that for these clients there is evidence of impairment, under the IAS 39, the shares of the Bank owned by these clients were, in accordance with this standard, considered as treasury stock, and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock owned by associated companies of the BCP Group listed in note 57, as at 30 June 2016, the Millenniumbcp Ageas Group owned 652,087,518 BCP shares (31 December 2015: 652,087,518 shares) in the amount of Euros 11,868,000 (31 December 2015: Euros 31,822,000).

44. Non-controlling interests

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Actuarial losses (net of taxes)	(728)	(728)
Exchange differences arising on consolidation	(143,588)	(111,771)
Fair value reserves	(18,251)	5,059
Deferred taxes	3,475	(1,189)
	(159,092)	(108,629)
Other reserves and retained earnings	1,014,093	1,166,031
	855,001	1,057,402

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
From continuing operations				
Bank Millennium, S.A.	756,188	754,037	49,110	33,565
BIM - Banco Internacional de Moçambique, SA (*)	100,156	136,428	12,761	16,571
Other subsidiaries	(1,343)	(623)	(720)	(337)
	855,001	889,842	61,151	49,799
From discontinued operations				
Banco Millennium Angola, S.A.	-	167,560	18,366	19,053
	855,001	1,057,402	79,517	68,852

(*) includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, S.A.R.L.

Name	Head office	Segment	% held Non-controlling interests Jun 2016	Dec 2015
Bank Millennium, S.A.	Warsaw	Bank	49.9%	49.9%
BIM - Banco Internacional de Moçambique, S.A.	Maputo	Bank	33.3%	33.3%

In accordance with the note 46, the Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S,A., which started to be accounted by the equity method in May 2016.

The following table presents a summary of financial information for the above institutions, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

	Bank Millennium, S.A.		BIM - Banco Internacional de Moçambique, S.A.	
	Jun 2016 Euros '000	Jun 2015 Euros '000	Jun 2016 Euros '000	Jun 2015 Euros '000
Income	423,028	392,561	154,324	182,021
Net profit for the year	98,417	79,310	36,762	47,905
Net profit for the year attributable to the shareholders	49,307	45,745	24,515	31,946
Net profit for the year attributable to non-controlling interests	49,110	33,565	12,247	15,959
Other comprehensive income attributable to the shareholders	(17,189)	(12,042)	(17)	7
Other comprehensive income attributable to non-controlling interests	(17,120)	(5,172)	(8)	3
Total comprehensive income	64,108	62,096	36,737	47,915

	Bank Millennium, S.A.		BIM - Banco Internacional de Moçambique, S.A.	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000
Financial assets	14,834,936	15,325,430	1,608,870	2,205,402
Non-financial assets	196,645	208,530	130,234	149,508
Financial liabilities	(13,264,113)	(13,716,673)	(1,327,119)	(1,817,368)
Non-financial liabilities	(252,060)	(306,190)	(120,558)	(141,268)
Equity	1,515,408	1,511,097	291,427	396,274
Equity attributed to the shareholders	759,220	757,060	194,339	264,257
Equity attributed to the non-controlling interests	756,188	754,037	97,088	132,017
Cash flows arising from:				
operating activities	41,560	1,035,021	31,327	(2,398)
investing activities	(523,365)	(542,673)	3,052	(10,128)
financing activities	36,268	(151,652)	2,100	6,934
Net increase / (decrease) in cash and equivalents	(445,537)	340,696	36,479	(5,592)
Dividends paid during the year:				
attributed to the shareholders	-	-	12,359	18,897
attributed to the non-controlling interests	-	-	6,174	10,157
	-	-	18,533	29,054

45. Guarantees and other commitments

This balance is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Guarantees granted	4,897,979	5,237,115
Guarantees received	28,621,394	31,396,270
Commitments to third parties	6,605,172	7,064,498
Commitments from third parties	11,208,815	11,778,091
Securities and other items held for safekeeping	139,773,057	130,088,758
Securities and other items held under custody by the Securities Depository Authority	134,014,013	135,146,255
Other off balance sheet accounts	132,443,436	137,284,602

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Guarantees granted		
Guarantees	3,994,874	4,185,448
Stand-by letter of credit	63,344	84,586
Open documentary credits	415,575	532,323
Bails and indemnities	424,186	434,758
	4,897,979	5,237,115
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	64,120	929
Irrevocable credit lines	1,847,620	2,077,530
Other irrevocable commitments	293,511	280,288
Revocable commitments		
Revocable credit lines	3,773,760	3,874,928
Bank overdraft facilities	556,017	592,400
Other revocable commitments	70,144	238,423
	6,605,172	7,064,498

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow.

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals. Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

46. Relevant events occurred during 2016

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded, on 21 April 2016, the Annual General Meeting of Shareholders, with 44.76% of the share capital represented and the following resolutions:

Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2015;

Item Two – Approval of the proposal for the application of year-end 2015 results;

Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant;

Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

Item Five – Election of the External Auditor for the triennial 2016/2018;

Item Six – Election of the Single Auditor and his/her alternate for the triennial 2016/2018;

Item Seven – Approval of the acquisition and sale of own shares or bonds;

Item Eight – Approval of the: (i) the renewal of the authorisation granted by paragraph 1 of Article 5 of the Bank’s Articles Association; (ii) suppression of the preference rights of shareholders in one or more share capital increases the Board of Directors may decide to carry out;

Item Nine – Approval on the alteration of the articles of association by adding a new nr. 5 to Article 4;

Item Ten – Approval of the regrouping, without decreasing the share capital, of the shares representing the share capital of the Bank. It was approved with a regrouping quotient of 1:75, corresponding to every 75 (seventy-five) shares prior to the regrouping 1 (one) share after the regrouping.

Assessment process scenarios for ActivoBank

On 24 February 2015, Banco Comercial Português, S.A. informed about the process of evaluation of various strategic scenarios that promoted the appreciation of ActivoBank. In March 2016, BCP has decided to select Cabot Square Capital LLP, a financial services specialist private equity firm, to a phase of negotiations on an exclusive basis.

In June 2016, the BCP has completed the process of evaluating various strategic scenarios for recovery ActivoBank having decided on the maintenance of ActivoBank in BCP Group perimeter depending on its value creation capacity in the context of the expected evolution of the model BCP banking business.

Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., thereby creating the conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

BCP signed, on 8 October 2015, a memorandum of understanding with the main shareholder of Banco Privado Atlântico, S.A. (Global Pactum – Gestão de Ativos, S.A.), to merge Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.

According to the terms of the process, BCP will have significant influence over the new entity, and as a result, will be accounted for by the equity method. On 22 April 2016, the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was executed.

Conversion of loans in Swiss Francs - Bank Millennium S.A. (Poland)

On 15 January 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, however without an assessment of impact for the banking sector. According to estimations later announced by Polish Financial Supervision Authority, the overall direct costs for the polish banking sector could reach PLN 66.9 billion (Euros 15 billion).

On August 2nd 2016 another presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, this time mainly focusing on repayment part of fx spreads collected by the banks. It was also announced that further capital requirements may be imposed for the banks in order to restructure fx mortgage loans. In these circumstances it is not possible to estimate the impact of potential regulations on the banking sector, however these legislative and regulatory intentions regarding FX mortgage loans, if implemented and made mandatory for banks, could significantly deteriorate the Bank’s profitability and capital position.

It is our understanding that at the current date, the requirements of International Accounting Standard 37 - Provisions, Liabilities and Contingent Assets are not met to establish any provision as we cannot make a reliable estimate of the possible obligation, and so we are treating this situation as a contingent liability.

Banking Tax in Poland

In February 2016 was introduced a new special banking tax over the banking sector in Poland, corresponding to an 0,44% annual rate on the balance of total assets less own funds, polish Treasury bonds and PLN 4 billion (Euros 900 million) tax-exempt amount.

Purchase of Visa Europe Ltd by Visa Inc

On June 21, 2016, it was completed the purchase proposal of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as key members of Visa Europe Ltd benefited from this transaction, which resulted in a receipt by the sale of shares held in Visa Europe Ltd to Visa Inc., of an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and of a deferred payment to 3 years.

Process of offers to tender notes for purchase

Banco Comercial Português, S.A. (BCP) has launched in February 2016 an invitation of offers to tender notes for purchase to holders of the issues listed below. The invitation is limited to a maximum aggregate purchase amount of Euros 300 million. The purpose of the invitation is to proactively manage the Bank's outstanding liabilities and capital base.

Issuer	Issue	Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	500,000,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	87,870,120
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	396,961,207.50

The process of solicitations of offers ended on 23 February 2016. There were validly tendered for purchase Euros 378,509,996.96 in principal amount outstanding of Notes (Euros 103,100,000 in respect of Senior Notes and Euros 275,409,996.96 in respect of Mortgage Backed Notes issued by Magellan Mortgages No. 2 plc e Magellan Mortgages No. 3 plc). The Bank has decided to accept for purchase Euros 85,326,455.52 (principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

Issuer	Issue	Accepted Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	85,300,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	26,455.52
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	0

The settlement date was on 26 February 2016.

47. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.05% as at 30 June 2016 (31 December 2015: 0.05%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market). As at 30 June 2016 , the average discount rate was 1.09% for loans and advances and -1.11% for deposits. As at 31 December 2015 the rates were 0.60% and -0.13%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

These financial instruments are accounted for at fair value. Fair value is based on market prices (*"Bid-price")*, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months. The average discount rate was 4.09% as at 30 June 2016 and 4.54% as at 31 December 2015. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the spread of the Group at the date of the report, which was calculated from the average production of the three most recent months. As at 30 June 2016, the average discount rate was 1.24% and as at 31 December 2015 was 1.70%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own debts placed among non institutional costumers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 6.87% (31 December, 2015: 5.25%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 5.55% (31 December, 2015: 6.20%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.87% (31 December 2015: 0.81%) for issues placed on the institutional market and 1.18% (31 December 2015: 1.87%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 30 June 2016 is a negative amount of Euros 4,897,000 (31 December 2015: a positive amount of Euros 23,061,000), and includes a payable amount of Euros 5,585,000 (31 December 2015: a payable amount of Euros 9,288,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 30 June 2016, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

	Currencies			
	EUR	**USD**	**GBP**	**PLN**
1 day	-0.42%	0.55%	0.45%	1.48%
7 days	-0.42%	0.55%	0.50%	1.48%
1 month	-0.41%	0.80%	0.55%	1.55%
2 months	-0.37%	0.85%	0.58%	1.58%
3 months	-0.33%	0.97%	0.67%	1.61%
6 months	-0.23%	1.11%	0.76%	1.69%
9 months	-0.16%	1.21%	0.82%	1.70%
1 year	-0.20%	0.68%	0.89%	1.60%
2 years	-0.21%	0.74%	0.51%	1.60%
3 years	-0.21%	0.81%	0.51%	1.65%
5 years	-0.10%	0.98%	0.60%	1.84%
7 years	0.07%	1.14%	0.76%	2.02%
10 years	0.36%	1.35%	0.99%	2.24%
15 years	0.67%	1.57%	1.18%	2.55%
20 years	0.78%	1.69%	1.23%	2.64%
30 years	0.80%	1.79%	1.21%	2.64%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2016:

	Jun 2016				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	2,178,315	2,178,315	2,178,315
Loans and advances to credit institutions					
Repayable on demand	-	-	415,547	415,547	415,547
Other loans and advances	-	-	1,389,207	1,389,207	1,389,448
Loans and advances to customers (i)	-	-	49,186,077	49,186,077	47,038,047
Financial assets held for trading	1,234,270	-	-	1,234,270	1,234,270
Other financial assets held for trading at fair value through profit or loss	144,946	-	-	144,946	144,946
Financial assets available for sale	-	11,023,430	-	11,023,430	11,023,430
Assets with repurchase agreement	-	-	10,561	10,561	10,561
Hedging derivatives (ii)	115,022	-	-	115,022	115,022
Held to maturity financial assets	-	-	419,025	419,025	402,244
	1,494,238	11,023,430	53,598,732	66,116,400	63,951,830
Deposits from credit institutions	-	-	11,228,648	11,228,648	11,280,509
Amounts owed to customers (i)	3,636,172	-	45,125,865	48,762,037	48,834,158
Debt securities (i)	720,610	-	3,297,450	4,018,060	4,013,163
Financial liabilities held for trading	613,595	-	-	613,595	613,595
Hedging derivatives (ii)	484,329	-	-	484,329	484,329
Subordinated debt (i)	-	-	1,659,530	1,659,530	1,805,957
	5,454,706	-	61,311,493	66,766,199	67,031,711

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

	Dec 2015				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	1,840,317	1,840,317	1,840,317
Loans and advances to credit institutions					
Repayable on demand	-	-	776,413	776,413	776,413
Other loans and advances	-	-	921,648	921,648	923,182
Loans and advances to customers (i)	-	-	51,970,159	51,970,159	49,506,926
Financial assets held for trading	1,188,805	-	-	1,188,805	1,188,805
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	152,018	152,018
Financial assets available for sale	-	10,779,030	-	10,779,030	10,779,030
Hedging derivatives (ii)	73,127	-	-	73,127	73,127
Held to maturity financial assets	-	-	494,891	494,891	482,825
	1,413,950	10,779,030	56,003,428	68,196,408	65,722,643
Deposits from credit institutions	-	-	8,591,045	8,591,045	8,679,702
Amounts owed to customers (i)	3,593,761	-	47,944,822	51,538,583	52,129,199
Debt securities (i)	715,598	-	4,052,671	4,768,269	4,791,330
Financial liabilities held for trading	723,228	-	-	723,228	723,228
Hedging derivatives (ii)	541,230	-	-	541,230	541,230
Subordinated debt (i)	-	-	1,645,371	1,645,371	1,615,364
	5,573,817	-	62,233,909	67,807,726	68,480,053

(i) - the book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 30 June 2016:

	Jun 2016			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Cash and deposits at Central Banks	2,178,315	-	-	2,178,315
Loans and advances to credit institutions				
Repayable on demand	415,547	-	-	415,547
Other loans and advances	-	-	1,389,448	1,389,448
Loans and advances to customers	-	-	47,038,047	47,038,047
Financial assets held for trading	393,117	248,168	592,985	1,234,270
Other financial assets held for trading at fair value through profit or loss	144,946	-	-	144,946
Financial assets available for sale	8,738,199	310,531	1,974,700	11,023,430
Assets with repurchase agreement	-	-	10,561	10,561
Hedging derivatives	-	115,022	-	115,022
Held to maturity financial assets	55,661	346,583	-	402,244
	11,925,785	1,020,304	51,005,741	63,951,830
Deposits from credit institutions	-	-	11,280,509	11,280,509
Amounts owed to customers	-	-	48,834,158	48,834,158
Debt securities	526,393	-	3,486,770	4,013,163
Financial liabilities held for trading	5,522	92,699	515,374	613,595
Hedging derivatives	-	395,504	88,825	484,329
Subordinated debt	-	-	1,805,957	1,805,957
	531,915	488,203	66,011,593	67,031,711

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

	Dec 2015			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Cash and deposits at Central Banks	1,840,317	-	-	1,840,317
Loans and advances to credit institutions				
Repayable on demand	776,413	-	-	776,413
Other loans and advances	-	-	923,182	923,182
Loans and advances to customers	-	-	49,506,926	49,506,926
Financial assets held for trading	318,315	672,489	198,001	1,188,805
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	152,018
Financial assets available for sale	6,949,116	2,149,370	1,680,544	10,779,030
Hedging derivatives	-	73,127	-	73,127
Held to maturity financial assets	482,825	-	-	482,825
	10,519,004	2,894,986	52,308,653	65,722,643
Deposits from credit institutions	-	-	8,679,702	8,679,702
Amounts owed to customers	-	-	52,129,199	52,129,199
Debt securities	507,845	-	4,283,485	4,791,330
Financial liabilities held for trading	63,153	643,567	16,508	723,228
Hedging derivatives	-	541,230	-	541,230
Subordinated debt	-	-	1,615,364	1,615,364
	570,998	1,184,797	66,724,258	68,480,053

The Group uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.

- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market in which transactions of the financial instrument occur with sufficient frequency and volume to provide prices information on an ongoing basis and for this purpose should verify the following conditions:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

48. Post-employment benefits and other long term benefits

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 w).

As at 30 June 2016 and 31 December 2015, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	Jun 2016	Dec 2015
Number of participants		
Pensioners	16,479	16,432
Former Attendees Acquired Rights	3,369	3,360
Employees	7,635	7,713
	27,483	27,505

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and other benefits and the respective coverage for the Group based on the projected unit credit method are analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Projected benefit obligations		
Pensioners	1,888,517	1,865,380
Former attendees acquired rights	216,438	210,829
Employees	1,065,287	1,059,478
	3,170,242	3,135,687
Pension fund value	(3,138,247)	(3,157,869)
Net (assets) / liabilities in balance sheet	31,995	(22,182)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,110,782	2,921,795

The change in the projected benefit obligations is analysed as follows:

	Jun 2016			Dec 2015
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
Balance as at 1 January	2,824,165	311,522	3,135,687	3,132,655
Service cost	(376)	-	(376)	(1,931)
Interest cost / (income)	34,858	3,768	38,626	77,156
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	12,217	1,477	13,694	363
Arising from changes in actuarial assumptions	19,393	5,144	24,537	-
Payments	(34,949)	(10,797)	(45,746)	(87,597)
Early retirement programmes	(384)	-	(384)	6,144
Contributions of employees	4,204	-	4,204	8,728
Transfer from other plans	-	-	-	169
Balance at the end of the period	2,859,128	311,114	3,170,242	3,135,687

As at 30 June 2016 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 34,949,000 (31 December 2015: Euros 65,711,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 30 June 2016, to the amount of Euros 329,915,000 (31 December 2015: Euros 330,210,000).

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 30 June 2016 amounts to Euros 69,986,000 (31 December 2015: Euros 74,453,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

The change in the value of plan's assets is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Balance as at 1 January	3,157,869	3,094,635
Expected return on plan assets	36,374	71,425
Actuarial gains and (losses)	(150,756)	(110,414)
Contributions to the Fund	125,000	153,183
Payments	(34,949)	(65,711)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	505	5,854
Employees' contributions	4,204	8,728
Transfers from other plans	-	169
Balance at the end of the period	3,138,247	3,157,869

The elements of the Pension Fund's assets are analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Shares	530,197	652,777
Bonds and other fixed income securities	1,372,701	1,316,579
Participations units in investment funds	163,146	123,720
Participation units in real estate funds	241,248	240,172
Properties	283,982	302,212
Loans and advances to credit institutions and others	546,973	522,409
	3,138,247	3,157,869

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 June 2016, amounts to Euros 283,299,000 (31 December 2015: Euros 301,631,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Fixed income securities	129,986	130,009
Loans and advances to credit institutions and others	451,028	524,652
	581,014	654,661

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Balance as at 1 January	(22,182)	38,020
Recognised in the income statement:		
Service cost	(376)	(1,931)
Interest cost / (income) net of the balance liabilities coverage	2,252	5,731
Cost with early retirement programs	(384)	6,144
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(505)	(5,854)
Recognised in the statement of comprehensive income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	150,756	110,414
Difference between expected and effective obligations	13,694	363
Arising from changes in actuarial assumptions	24,537	-
Contributions to the fund	(125,000)	(153,183)
Payments	(10,797)	(21,886)
Balance at the end of the period	31,995	(22,182)

As at 31 December 2015, from the balances Cost with early retirement programs and Amount transferred to the fund resulting from acquired rights unassigned related to the Complementary Plan, Euros 792,000 were recognised against the restructuring provision.

As at 30 June 2016, the Group's companies made contributions in cash to the Pension Fund, in the amount of Euros 125,000,000 (31 December 2015: Euros 153,183,000).

In accordance with IAS 19, as at 30 June 2016, the Group accounted post-employment benefits as a cost in the amount of Euros 987,000, which is analysed as follows:

	Jun 2016		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Current service cost	(376)	-	(376)
Net interest cost / (income) in the liability coverage balance	2,252	-	2,252
Cost / (income) with early retirement programs and mutually agreed terminations	(889)	-	(889)
(Income) / Cost of the period	987	-	987

In accordance with IAS 19, as at as at 30 June 2015, the Group accounted post-employment benefits as a loss in the amount of Euros 1,638,000, which is analysed as follows:

	Jun 2015		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Service cost	(1,005)	(19)	(1,024)
Net interest cost / (income) in the liability coverage balance	2,864	2	2,866
Cost / (income) with early retirement programs and mutually agreed terminations	(61)	(143)	(204)
(Income) / Cost of the period	1,798	(160)	1,638

As the Board Members Retirement Regulation establish that the pensions are updated annually, and as it is not common in the insurance market the acquisition of perpetual annuities that incorporate a variable update factor, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual capitalization insurance policies annuities.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,245,000 (31 December 2015: Euros 4,245,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities, are analysed as follows:

	Jun 2016	Dec 2015
	Euros '000	Euros '000
Balance as at 1 January	4,245	3,153
Charge / (Write-back)	-	1,092
Balance at the end of the period	4,245	4,245

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	Jun 2016	Dec 2015
Salary growth rate	0.75% until 2017 1% after 2017	0.75% until 2017 1% after 2017
Rate of pensions increase	0% until 2017 0.5% after 2017	0% until 2017 0.5% after 2017
Projected Fund's rate of return	2.50%	2.50%
Discount rate	2.50%	2.50%
Mortality tables		
Men	TV 88/90	TV 73/77 - 2 years
Women	TV 88/90 - 3 years	TV 88/90 - 3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Costs rate with health benefits	6.50%	6.50%

As at June 30, 2016, and after an analysis of adherence of the mortality tables used in the actuarial valuation, a change in the mortality table used for the male population, from TV 73 / 77-2 years to TV 88/90. For the female population remained the table used in 2015 of TV 88/90 adjusted 3 years (it means that it is considered a higher life expectancy in three years due to the mortality table TV88 / 90).

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was based on market yields, observed at the end of June 2016, regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

Given to the described methodology, the discount rate did not change compared to the one used in December 2015 (2.50%).

According to the requirements of IAS 19, the fund's rate of return considered in the calculation of the current value of liabilities corresponds to the discount rate.

However, the estimated expected return for 2016 is presented below, based on the 30 June 2016 portfolio:

Asset class	Portfolio %	Estimated return
Shares	16.89%	8.42%
Bonds and other fixed income securities	43.74%	1.27%
Participations units in investment funds	5.20%	5.33%
Participation units in real estate funds	7.69%	3.64%
Properties	9.05%	3.64%
Loans and advances to credit institutions and others	17.43%	0.95%
Total income expected		3.03%

Net actuarial losses amounts to Euros 188,987,000 (31 December 2015: Net actuarial losses amounts to Euros 110,777,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains) / losses			
	Jun 2016		Dec 2015	
	Values effectively verified in %	Euros '000	Values effectively verified in %	Euros '000
Deviation between expected and actual liabilities:		13,694		363
Changes on the assumptions:				
Mortality tables		24,537		-
Return on Fund	-3.34%	150,756	-0.76%	110,414
		188,987		110,777

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows

	Impact resulting from changes in financial assumptions			
	Jun 2016		Dec 2015	
	-0.25%	0.25%	-0.25%	0.25%
	Euros '000	Euros '000	Euros '000	Euros '000
Discount rate	139,834	(131,342)	139,730	(131,174)
Pensions increase rate	(136,926)	143,976	(130,601)	137,697
Salary growth rate	(43,171)	45,336	(44,041)	46,261

	Impact resulting from changes in demographic assumptions			
	Jun 2016		Dec 2015	
	- 1 year	+ 1 year	- 1 year	+ 1 year
	Euros '000	Euros '000	Euros '000	Euros '000
Mortality Table	94,100	(94,834)	92,831	(93,419)

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming a positive variation in health benefit costs (from 6.5% to 7.5%) and a negative variation (from 6.5% to 5.5%) in health benefit costs, which impact is analysed as follows:

	Positive variation of 1% (6.5% to 7.5%)		Negative variation of 1% (6.5% to 5.5%)	
	Jun 2016	Dec 2015	Jun 2016	Dec 2015
	Euros '000	Euros '000	Euros '000	Euros '000
Pension cost impact	566	560	(566)	(560)
Liability impact	50,756	50,087	(50,756)	(50,087)

The liabilities related to the seniority premium are not covered by the Group's Pension Fund because they are not considered post-employment liabilities. As at 30 June 2016, the liabilities associated with the seniority premium amount to Euros 46,008,000 (31 December 2015: Euros 46,308,000) and are covered by provisions in the same amount.

The cost of the seniority premium, in the first semester of 2016 and 2015, is analysed as follows:

	Jun 2016			Jun 2015		
	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
Current service cost	1,117	-	1,117	1,213	5	1,218
Interest costs	541	-	541	575	3	578
Actuarial gains and losses	607	-	607	(488)	(121)	(609)
Cost of the period	2,265	-	2,265	1,300	(113)	1,187

49. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 57 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

a) Transactions with qualified shareholders

As at 30 June 2016, the balances reflected in assets and liabilities of consolidated balance sheet with qualified shareholders, are analysed as follows:

	Jun 2016				
	Loans and advances to customers Euros '000	Financial assets (Securities and derivatives) Euros '000	Impairment Euros '000	Deposits from credit institutions Euros '000	Deposits from customers Euros '000
Sonangol Group (*)	17,470	-	45	-	37,449
Sabadell Group	668	5,530	1	127	-
EDP Group	70,883	138,440	131	-	40,830
	89,021	143,970	177	127	78,279

(*) The balance Loans and advances to customers - Sonangol Group, includes the amount of Euros 17,468,000 related to credits granted to Luanda Waterfront Corporation, respectively. Since this company is an associated of the Group, this amount is also disclosed in paragraph c) - Transactions with associated companies.

As at 31 December 2015, the balances with qualified shareholders reflected in assets and liabilities of the consolidated balance sheet are as follows:

	Dec 2015				
	Loans and advances to customers Euros '000	Financial assets (Securities and derivatives) Euros '000	Impairment Euros '000	Deposits from credit institutions Euros '000	Deposits from customers Euros '000
Sonangol Group (*)	71,555	-	581	-	104,855
Sabadell Group	-	29,087	4	810	-
EDP Group	77,769	97,581	319	-	12,596
	149,324	126,668	904	810	117,451

(*) The balance Loans and advances to customers - Sonangol Group, includes the amount of Euros 44,870,000 and Euros 18,153,000 related to credits granted to Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. e Luanda Waterfront Corporation, respectively. Since these companies are associated of the Group, these amounts are also disclosed in paragraph c) - transactions with associated companies.

As at 30 June 2016 and 2015, the balances with qualified shareholders, reflected in income items of the consolidated income statement, are as follows:

	Interest and similar income		Commissions income	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Sonangol Group	331	284	-	-
Sabadell Group	550	992	51	42
EDP Group	1,987	2,913	686	848
	2,868	4,189	737	890

As at 30 June 2016 and 2015, the balances with qualified shareholders, reflected in expenses items of the consolidated income statement, are as follows:

	Interest and similar expenses		Commissions expenses	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Sabadell Group	-	428	-	-
EDP Group	68	830	9	4
	68	1,258	9	4

As at 30 June 2016 and 31 December 2015, the balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000
Sonangol Group	1,522	2,695	48	157	-	156
Sabadell Group	8,471	10,151	10	10	-	-
EDP Group	28,754	29,366	213,060	217,620	-	-
	38,747	42,212	213,118	217,787	-	156

b) Transactions with members of the Board of Directors and Key management members

As at 30 June 2016 and 31 December 2015, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

	Jun 2016	Dec 2015				
	Loans and advances to customers Euros '000	Loans and advances to credit institutions Euros '000	Loans and advances to customers Euros '000	Financial assets (Derivatives) Euros '000	Other assets Euros '000	Total Euros '000
Board of Directors						
Non-executive directors	19	-	26	-	-	26
Executive Committee	146	-	159	-	-	159
Closely related people	14	-	20	-	-	20
Controlled entities (*)	-	149,743	-	27	5,473	155,243
Key management members						
Key management members	7,382	-	6,950	-	-	6,950
Closely related people	278	-	273	-	-	273
Controlled entities	337	-	302	-	-	302
	8,176	149,743	7,730	27	5,473	162,973

(*) As at 30 June 2016, the balances do not include transactions with the associate Banco Millennium Atlântico, S.A., described in paragraph c) of this note.

As at 30 June 2016 and 31 December 2015, the balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

	Deposits from credit institutions		Deposits from customers		Financial Liabilities (Derivatives)	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000
Board of Directors						
Non-executive directors	-	-	3,935	3,454	-	-
Executive Committee	-	-	913	1,336	-	-
Closely related people	-	-	1,798	1,997	-	-
Controlled entities (*)	27,155	39,519	4,037	5,238	-	9
Key management members						
Key management members	-	-	6,425	6,361	-	-
Closely related people	-	-	2,284	1,624	-	-
Controlled entities	-	-	1,071	174	-	-
	27,155	39,519	20,463	20,184	-	9

As at 30 June 2016 and 2015, the balances with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

	Interest and similar income		Commissions income	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Board of Directors				
Non-executive directors	-	-	39	50
Executive Committee	-	-	12	9
Closely related people	-	-	9	8
Controlled entities (*)	-	28	71	288
Key management members				
Key management members	27	27	31	23
Closely related people	5	5	17	7
Controlled entities	3	1	4	4
	35	61	183	389

As at 30 June 2016 and 2015, the balances with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

	Interest and similar expense		Commissions expense	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Board of Directors				
Non-executive directors	10	21	1	1
Executive Committee	3	12	-	-
Closely related people	6	11	-	-
Controlled entities (*)	20	79	-	12
Key management members				
Key management members	27	52	1	1
Closely related people	5	7	1	1
Controlled entities	1	4	1	1
	72	186	4	16

(*) As at 30 June 2016, the balances do not include transactions with the associate Banco Millennium Atlântico, S.A., described in paragraph c) of this note.

As at 30 June 2016 and 31 December 2015, revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

	Revocable credit lines		Irrevocable credit lines	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000
Board of Directors				
Non-executive directors	126	126	-	-
Executive Committee	128	124	-	-
Closely related people	133	133	-	-
Controlled entities (*)	50	55	-	-
Key management members				
Key management members	564	525	74	-
Closely related people	288	184	-	-
Controlled entities	27	14	-	-
	1,316	1,161	74	-

(*) As at 30 June 2016, the balances do not include transactions with the associate Banco Millennium Atlântico, S.A., described in paragraph c) of this note.

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Remunerations	1,040	1,074	279	282	2,674	3,432
Supplementary retirement pension	346	-	-	-	-	-
Pension Fund	14	20	-	-	78	71
Other mandatory social security charges	235	245	65	67	748	844
Seniority premium	-	-	-	-	94	38
	1,635	1,339	344	349	3,594	4,385

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During the first semester of 2016, the amount of remuneration paid to the Executive Committee, includes Euros 110,000 (30 June 2015: Euros 40,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, of which Euros 63,000 are related to 2015.

During the first semester of 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the first semester of 2016, were paid Euros 483,000 (30 June 2015: Euros 1,148,000 paid to one member) of severance pay to one key management member.

The shareholder and bondholder position of members of the Board of Directors, Top management and persons closely related to the previous categories, is as follows:

Shareholders / Bondholders	Security	Number of securities at 30/06/16	Number of securities at 31/12/15	Changes during 2016 Acquisitions	Changes during 2016 Disposals	Changes during 2016 Date	Unit Price Euros
Members of Board of Directors							
António Vítor Martins Monteiro (i)	BCP Shares	18,119	18,119				
Carlos José da Silva	BCP Shares	1,165,812	1,165,812				
Nuno Manuel da Silva Amado	BCP Shares	3,824,650	3,824,650				
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	0	0				
André Magalhães Luiz Gomes	BCP Shares	53,451	53,451				
António Henriques Pinho Cardão (ii)	BCP Shares	772,843	772,843				
António Luís Guerra Nunes Mexia	BCP Shares	11,330	11,330				
Cidália Maria Mota Lopes	BCP Shares	10,247	10,247				
Jaime de Macedo Santos Bastos	BCP Shares	4,037	4,037				
João Bernardo Bastos Mendes Resende	BCP Shares	0	0				
João Manuel Matos Loureiro	BCP Shares	13,180	13,180				
José Jacinto Iglésias Soares	BCP Shares	0	1,156,004		1,156,004 (*)	04-May-16	0.0370
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	20,879	20,879				
José Rodrigues de Jesus	BCP Shares	0	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	275,002	275,002				
Miguel de Campos Pereira de Bragança	BCP Shares	1,715,485	1,715,485				
Miguel Maya Dias Pinheiro	BCP Shares	1,694,099	1,694,099				
Raquel Rute da Costa David Vunge (iii)	BCP Shares	0	0				
Rui Manuel da Silva Teixeira (iv)	BCP Shares	170,389	170,389				
Key management members							
Albino António Carneiro de Andrade	BCP Shares	0	0				
Américo João Pinto Carola (v)	BCP Shares	37,745	37,745				
Ana Isabel dos Santos de Pina Cabral (vi)	BCP Shares	182,953	182,953				
Ana Maria Jordão F. Torres Marques Tavares (vii)	BCP Shares	713,055	713,055				
André Cardoso Meneses Navarro	BCP Shares	1,255,739	1,255,739				
António Augusto Amaral de Medeiros	BCP Shares	200,000	200,000				
António Augusto Decrook Gaioso Henriques	BCP Shares	2,177,736	715,938	1,205,276		12-May-16	0.0330
				256,522		24-May-16	0.0310
António Ferreira Pinto Júnior	BCP Shares	100,000	100,000				
António Luís Duarte Bandeira (viii)	BCP Shares	500,008	500,008				
Artur Frederico Silva Luna Pais	BCP Shares	1,503,611	1,503,611				
Belmira Abreu Cabral	BCP Shares	90,458	90,458				
Carlos Alberto Alves	BCP Shares	500.002	500.002				
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	137,500	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	143,335	143,335				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro	BCP Shares	222,365	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	275	275				
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	10,683	10,683				
João Nuno Lima Brás Jorge	BCP Shares	424,069	424,069				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	7,518	7,518				
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				

(*) donation

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

(continues)

(continuation)

Shareholders / Bondholders	Security	Number of securities at 30/06/2016	Number of securities at 31/12/2015	Changes during 2016 Acquisitions	Disposals	Date	Unit Price Euros
José Guilherme Potier Raposo Pulido Valente	BCP Shares	4,080,000	4,080,000				
José Laurindo Reino da Costa	BCP Shares	932,500	82,500	850,000		26-Jun-16	0.0173
Luis Miguel Manso Correia dos Santos	BCP Shares	100,000	100,000				
Maria Manuela Correia Duro Teixeira	BCP Shares	0	0				
Maria Manuela de Araujo Mesquita Reis	BCP Shares	500,000	390,000	10,000	0	19-Jan-16	0.0390
				50,000	0	20-Jan-16	0.0318
				50,000	0	13-Jun-16	0.0206
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	0	0				
Mário António Pinho Gaspar Neves	BCP Shares	139,000	139,000				
	Certificates BCPI S6P 500	193	193				
	Certificates BCPI Eurostox 50	187	187				
	Certificates BCPI DAX 30	55	55				
	Certificates BCP Nikkei	11	11				
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	1,000,000	1,000,000				
Miguel Filipe Rodrigues Ponte	BCP Shares	16,614	16,614				
Nelson Luís Vieira Teixeira	BCP Shares	21,420	21,420				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	135,000	135,000				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	69,412	69,412				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	102,986	102,986				
Robert Gijsbert Swalef	BCP Shares	225,000	225,000				
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	90,342	90,342				
Rui Fernando da Silva Teixeira	BCP Shares	946,059	946,059				
Rui Manuel Pereira Pedro	BCP Shares	700,000	700,000				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				

Persons closely related to the previous categories

Ana Isabel Salgueiro Antunes (v)	BCP Shares	2,217	2,217				
Ana Margarida Rebelo A.M. Soares Bandeira (viii)	BCP Shares	14,000	14,000				
Eusébio Domingos Vunge (iii)	BCP Shares	51,859	51,859				
	Subordinated Bonds - BCP 2010/2020	0	0				
	Certific BCPi DAX 30	46	46				
	Certific BCPi EUROSTOXX 50	142	142				
	Particip. Units - IMGA Prestige Conservador	1,343	1,343				
Francisco Jordão Torres Marques Tavares (vii)	BCP Shares	4,586	4,586				
Isabel Maria V Leite P Martins Monteiro (i)	BCP Shares	14,605	14,605				
João Paulo Fernandes de Pinho Cardão (ii)	BCP Shares	340,970	340,970				
José Manuel de Vasconcelos Mendes Ferreira (vi)	BCP Shares	12,586	12,586				
Luís Miguel Fernandes de Pinho Cardão (ii)	BCP Shares	14,550	14,550				
Maria Avelina V C L J Teixeira Diniz (viii)	BCP Shares	182,528	182,528				
Maria da Graça dos Santos Fernandes de Pinho Cardão (ii)	BCP Shares	28,833	28,833				
Maria Helena Espassandim Catão (iv)	BCP Shares	2,750	2,750				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

c) Transactions with associated companies

As at 30 June 2016, the balances with associated companies included in assets items of the consolidated balance sheet are as follows:

	Jun 2016					
	Loans and advances to Credit Institutions (CI)		Loans and advances to customers	Financial assets (Derivatives)	Other Assets	Total
	Repayable on demand Euros '000	Other loans and advances Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Banco Millennium Atlântico, S.A.	453	274,196	-	-	-	274,649
Beiranave Estaleiros Navais Beira Sarl	-	-	2,057	-	-	2,057
Enerparcela - Empreendimentos Imobiliários, S.A.	-	-	7	-	-	7
Luanda Waterfront Corporation (*)	-	-	17,468	-	-	17,468
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	-	60,913	42,766	12,718	116,397
Nanium, S.A.	-	-	20,407	-	-	20,407
Unicre - Instituição Financeira de Crédito, S.A.	-	820	-	-	-	820
	453	275,016	100,852	42,766	12,718	431,805

(*) The Loans and advances granted Luanda Waterfront Corporation, are also reflected in the total loans granted to Sonangol Group, as referred in point a).

As at 31 December 2015, the balances with associated companies included in assets items of the consolidated balance sheet are as follows:

	Dec 2015				
	Loans and advances to CI	Loans and advances to customers	Financial assets (Derivatives)	Other Assets	Total
	Other loans and advances Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
ACT-C-Indústria de Cortiças, S.A.	-	11	-	-	11
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A (*)	-	44,870	-	-	44,870
Beiranave Estaleiros Navais Beira Sarl	-	2,085	-	-	2,085
Luanda Waterfront Corporation (*)	-	18,153	-	-	18,153
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	- -	58,994	57,593	13,109	129,696
Nanium, S.A.	-	22,967	-	12,318	35,285
Unicre - Instituição Financeira de Crédito, S.A.	717	-	-	-	717
	717	147,080	57,593	25,427	230,817

(*) The Loans and advances granted Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. and to Luanda Waterfront Corporation, are also reflected in the total loans granted to Sonangol Group, as referred in point a) of this note.

As at 30 June 2016, the balances with associated companies included in liabilities items of the consolidated balance sheet are as follows:

	Jun 2016					
	Deposits from CI Euros '000	**Deposits from customers Euros '000**	**Debt securities issued Euros '000**	**Subordinated debt Euros '000**	**Financial Liabilities (Derivatives) Euros '000**	**Total Euros '000**
Adelphi Gere, Investimentos Imobiliário	-	221	-	-	-	221
ACT-C-Indústria de Cortiças, S.A.	-	1	-	-	-	1
Banco Millennium Atlântico, S.A.	37,416	-	-	-	-	37,416
Banque BCP, S.A.S.	101,544	-	-	-	-	101,544
Banque BCP (Luxembourg), S.A.	60	-	-	-	-	60
Beiranave Estaleiros Navais Beira Sarl	-	160	-	-	-	160
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	395,108	1,163,724	504,005	90,461	2,153,298
Nanium, S.A.	-	432	-	-	-	432
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	-	7	-	-	-	7
Sadamora - Investimentos Imobiliários,	-	50	-	-	-	50
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	-	1,893	-	-	-	1,893
SIBS, S.G.P.S, S.A.	-	12,596	-	-	-	12,596
Unicre - Instituição Financeira de Crédito, S.A.	1,720	-	-	-	-	1,720
	140,740	410,468	1,163,724	504,005	90,461	2,309,398

As at 30 June 2016, the associated company Millenniumbcp Ageas Grupo Segurador, SGPS, S.A. holds 652,087,518 BCP shares in the amount of Euros 11,868,000.

As at 31 December 2015, the balances with associated companies included in liabilities items of the consolidated balance sheet are as follows:

	Dec 2015					
	Deposits from CI Euros '000	**Deposits from customers Euros '000**	**Debt securities issued Euros '000**	**Subordinated debt Euros '000**	**Financial Liabilities (Derivatives) Euros '000**	**Total Euros '000**
Academia Millennium Atlântico	-	23	-	-	-	23
ACT-C-Indústria de Cortiças, S.A.	-	1	-	-	-	1
Banque BCP, S.A.S.	101,739	-	-	-	-	101,739
Banque BCP (Luxembourg), S.A.	179	-	-	-	-	179
Beiranave Estaleiros Navais Beira Sarl	-	568	-	-	-	568
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	548,536	1,639,210	509,012	107,656	2,804,414
Nanium, S.A.	-	6,269	-	-	-	6,269
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	-	2,657	-	-	-	2,657
SIBS, S.G.P.S, S.A.	-	6,811	-	-	-	6,811
Unicre - Instituição Financeira de Crédito, S.A.	7,724	-	-	-	-	7,724
	109,642	564,865	1,639,210	509,012	107,656	2,930,385

As at 31 December 2015, the associated company Millenniumbcp Ageas Grupo Segurador, SGPS, SA holds 652,087,518 BCP shares in the amount of Euros 31,822,000.

As at 30 June 2016, the balances with associated companies included in Income items of the consolidated income statement, are as follows:

	Jun 2016			
	Interest and similar income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Banco Millennium Atlântico, S.A.	2,688	481	-	3,169
Banque BCP, S.A.S.	-	1	-	1
Banque BCP (Luxembourg), S.A.	-	1	-	1
Beiranave Estaleiros Navais Beira Sarl	53	-	-	53
Luanda Waterfront Corporation (*)	331	-	-	331
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	1,455	26,607	638	28,700
Nanium, S.A.	153	58	-	211
Sadamora - Investimentos Imobiliários, S.A.	-	3	-	3
SIBS, S.G.P.S, S.A.	-	3	-	3
Unicre - Instituição Financeira de Crédito, S.A.	57	582	-	639
	4,737	27,736	638	33,111

(*) The item interest and similar income - Luanda Waterfront Corporation, is also reflected in the total interest income regarding Sonangol Group, as referred in point a).

As at 30 June 2015, the balances with associated companies included in Income items of the consolidated income statement, are as follows:

	Jun 2015 (restated)			
	Interest and similar income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Total Euros '000
Banque BCP, S.A.S.	-	1	-	1
Banque BCP (Luxembourg), S.A.	-	1	-	1
Beiranave Estaleiros Navais Beira Sarl	29	-	-	29
Luanda Waterfront Corporation (*)	284	-	-	284
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	1,405	26,384	3,986	31,775
Nanium, S.A.	49	64	-	113
SIBS, S.G.P.S, S.A.	-	2	-	2
Unicre - Instituição Financeira de Crédito, S.A.	118	572	-	690
VSC - Aluguer de Veículos Sem Condutor, Lda.	-	2	2	4
	1,885	27,026	3,988	32,899

(*) The items interest and similar income - Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. and Luanda Waterfront Corporation, are also reflected in the total interest income regarding Sonangol Group, as referred in point a) of this note.

As at 30 June 2016, the balances with associated companies included in expenses items of the consolidated income statement, are as follows:

	Jun 2016			
	Interest expense and similar charges Euros '000	Commissions expense Euros '000	Other administrative costs Euros '000	Total Euros '000
Banque BCP, S.A.S.	5,122	-	-	5,122
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	29,028	2	10	29,040
SIBS, S.G.P.S, S.A.	4	-	-	4
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	2	-	-	2
Unicre - Instituição Financeira de Crédito, S.A.	1	1	-	2
	34,157	3	10	34,170

As at 30 June 2015, the balances with associated companies included in expenses items of the consolidated income statement, are as follows:

	Jun 2015 (restated)			
	Interest expense and similar charges Euros '000	Commissions costs Euros '000	Other administrative costs Euros '000	Total Euros '000
Banque BCP, S.A.S.	4,835	-	-	4,835
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	28,184	-	72	28,256
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	6	-	-	6
Unicre - Instituição Financeira de Crédito, S.A.	-	1	-	1
	33,025	1	72	33,098

As at 30 June 2016 and 31 December 2015, the guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

	Guarantees granted		Revocable credit lines	
	Jun 2016 Euros '000	Dec 2015 Euros '000	Jun 2016 Euros '000	Dec 2015 Euros '000
Beiranave Estaleiros Navais Beira Sarl	23	33	-	-
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	85	27	-
Nanium, S.A.	-	5,305	-	32
SIBS, S.G.P.S, S.A.	-	-	-	469
Unicre - Instituição Financeira de Crédito	-	-	-	9,370
	108	5,423	27	9,871

As at 30 June 2016 and 2015, the remunerations resulting from the services, are as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Life insurance		
Saving products	15,879	16,450
Mortgage and consumer loans	10,273	9,916
Others	17	18
	26,169	26,384
Non - Life insurance		
Accidents and health	7,798	6,970
Motor	1,620	1,372
Multi-Risk Housing	2,955	2,465
Others	523	525
	12,896	11,332
	39,065	37,716

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA.

The Group does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature and entity, are analysed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
By nature		
Funds receivable for payment of life insurance commissions	24,169	12,969
Funds receivable for payment of non-life insurance commissions	12,896	5,738
	37,065	18,707
By entity		
Ocidental - Companhia Portuguesa de Seguros de Vida, SA	24,169	12,969
Ocidental - Companhia Portuguesa de Seguros, SA	12,896	5,738
	37,065	18,707

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

d) Transactions with the Pension Fund

During the first semester of 2016, the Group sold bonds to the pension fund in the amount of Euros 16,736,000 (31 December 2015: Euros 9,006,000). During 2015, the Group purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 249.020.000.

As at 30 June 2016 and 31 December 2015, the balances with Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Deposits from customers	451,028	524,652
Subordinated debt	129,986	130,009
	581,014	654,661

As at 31 June 2016 and 2015, the balances with Pension Fund included in income and expense items of the consolidated income statement, are as follows:

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Income		
Commissions	341	366
Expenses		
Interest expense	1,336	1,492
Administrative costs	8,360	9,516
	9,696	11,008

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Group.

As at 30 June 2016, the amount of Guarantees granted by the Group to the Pension Fund amounts to Euros 13,593,000 (31 December 2015: Euros 13,593,000).

50. Segmental reporting

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment named non-Core Business Portfolio was considered, respecting the criteria agreed.

Segments description

The Retail Banking activity includes the Retail activity of the Group in Portugal, operating as a distribution channel for products and services from subsidiaries of the Group, and the Foreign business segment, operating through subsidiaries in markets with affinity to Portugal and in countries with growth perspectives.

The Retail segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target “Mass Market” customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager; (ii) Retail Recovery Division and (iii) ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

The Companies Banking includes: (i) Corporate and Large Corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50 million, providing a complete range of value-added products and services; (ii) the Companies network that covers the financial needs of companies with an annual turnover between Euros 2.5 million and Euros 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing, (iii) Specialised Monitoring Division, (iv) the Investment Banking unit, (v) the activity of the Bank's International Division; (vi) Specialised Recovery Division, (vii) the activity of the Real Estate Business Division and (viii) Interfundos.

The Private Banking segment, for purposes of the business segments, comprises (i) the Private Banking network in Portugal and also (ii) Banque Privée BCP in Switzerland and (iii) Millennium bcp Bank & Trust in Cayman Islands. For purposes of the geographical segments excludes Banque Privée BCP and Millennium bcp Bank & Trust that are considered Foreign Business.

The Foreign Business segment, for the purpose of business segments, comprises Bank Millennium in Poland, BIM - Banco Internacional de Moçambique in Mozambique and Banco Millennium Angola considered as a discontinued operation in march 2016. The Foreign Business segment, in terms of geographical segments, comprises the Group operations outside Portugal referred to above, and also Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide and in Mozambique by a universal bank targeting companies and individual customers; in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets ("Affluent" segment); and in Switzerland the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, Banco Millennium in Angola was considered as a discontinued operation in March 2016 and from this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as “income arising from discontinued operations” with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criterion is the capital impact optimisation, in particular through the minimisation of expected loss.

In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (NCBP).

PNNC includes the business with clients for which credit has been granted for securities-backed lending, loans collateralised with other assets (for those which the debt ratio over asset value is not less than 90%), historical subsidised mortgage loans, construction subcontractors focused almost exclusively on the Portuguese market, football clubs and Real Estate development.

The separate disclosure for those types of loans resulted, exclusively, from the need to identify and monitoring the segments described in the previous paragraph, in the scope of the authorisation process abovementioned. Thus, the PNNC portfolio has not been aggregated based on risk classes or any other performance criteria.

It should be noted that, in 30 June 2016, 72% of this portfolio benefited from asset backed loans, including 68% with real estate collateral and 4% with other assets guarantee.

All other businesses not previously discriminated are allocated to the segment Others and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Business segments activity

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and the balancing process of each entity, both at the balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel III methodology, in accordance with the CRD IV/CRR, with reference to June 2015 and June 2016. The capital allocation for each segment on those dates, resulted from the application of 10% to the risks managed by each segment, reflecting the application of Basel III methodologies. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 30 June 2016.

The Group operates in the Portuguese market, and also in a few affinity markets of recognised growth potential. Considering this, the segmental report is structured in Portugal, Poland, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); while the segment Mozambique contains the activity of BIM - Banco Internacional de Moçambique. The segment Other, indicated within the geographical segment reporting, comprises the Group’s operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method till April 2016.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being accounted using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank’s Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013.

From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as “income arising from discontinued operations” with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. Following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

As at 30 June 2016, the net contribution of the major operational segments is analysed as follows:

	Commercial Banking			Companies Corporate and Investment		Portfolio		
	Retail in Portugal	Foreign Business [1]	Total	Banking in Portugal	Private Banking	non core business	Other	Consolidated
Income statement								
Interest income	262,580	360,577	623,157	187,640	21,275	80,682	52,722	965,476
Interest expense	(72,909)	(129,295)	(202,204)	(46,680)	(11,481)	(63,117)	(41,190)	(364,672)
Net interest income	189,671	231,282	420,953	140,960	9,794	17,565	11,532	600,804
Commissions and other income	187,774	111,744	299,518	80,551	30,755	5,056	(759)	415,121
Commissions and other costs	(6,487)	(66,405)	(72,892)	(3,080)	(3,028)	(16)	(93,550)	(172,566)
Net commissions and other income	181,287	45,339	226,626	77,471	27,727	5,040	(94,309)	242,555
Net gains arising from trading activity	(41)	105,386	105,345	-	1,564	23,893	52,021	182,823
Share of profit of associates under the equity method	-	2,953	2,953	-	-	-	34,763	37,716
Gains / (losses) arising from the sale of subsidiaries and other assets	2	1,236	1,238	-	9	-	(5,727)	(4,480)
Net operating revenue	370,919	386,196	757,115	218,431	39,094	46,498	(1,720)	1,059,418
Staff costs and administrative costs	241,303	151,250	392,553	47,839	19,353	10,632	(11,806)	458,571
Depreciations	1,043	11,075	12,118	241	99	10	13,012	25,480
Operating costs	242,346	162,325	404,671	48,080	19,452	10,642	1,206	484,051
Other financial assets impairment	(36,841)	(35,543)	(72,384)	(271,545)	(1,442)	(302,623)	(142,680)	(790,674)
Other assets impairment	(45)	(7,637)	(7,682)	37	-	(5,811)	(12,499)	(25,955)
Net (loss) / income before income tax	91,687	180,691	272,378	(101,157)	18,200	(272,578)	(158,105)	(241,262)
Income tax	(27,033)	(47,377)	(74,410)	29,960	(5,300)	80,410	47,641	78,301
(Loss) / income after income tax from continuing operations	64,654	133,314	197,968	(71,197)	12,900	(192,168)	(110,464)	(162,961)
(Loss) / income arising from discontinued operations [2]	-	36,806	36,806	-	-	-	8,421	45,227
Net (loss) / income after income tax	64,654	170,120	234,774	(71,197)	12,900	(192,168)	(102,043)	(117,734)
Non-controlling interests	-	(80,597)	(80,597)	-	-	-	1,080	(79,517)
Net (loss) / income after income tax	64,654	89,523	154,177	(71,197)	12,900	(192,168)	(100,963)	(197,251)
Balance sheet								
Cash and Loans and advances to credit institutions	9,600,646	1,428,004	11,028,650	975,333	2,722,960	5,629	(10,749,503)	3,983,069
Loans and advances to customers	17,360,676	11,561,469	28,922,145	10,880,251	430,329	8,664,664	288,688	49,186,077
Financial assets [3]	19,550	3,359,792	3,379,342	-	7,741	599,258	8,950,352	12,936,693
Other assets	166,294	548,591	714,885	46,136	19,155	649,896	5,531,622	6,961,694
Total Assets	27,147,166	16,897,856	44,045,022	11,901,720	3,180,185	9,919,447	4,021,159	73,067,533
Deposits from other credit institutions	1,422,540	1,324,499	2,747,039	3,923,330	330,408	9,195,783	(4,967,912)	11,228,648
Deposits from customers	24,555,486	13,317,048	37,872,534	7,268,058	2,676,697	358,893	585,855	48,762,037
Debt securities issued	518,814	306,149	824,963	2,230	63,266	570	3,127,031	4,018,060
Other financial liabilities	-	433,138	433,138	-	7,918	-	2,316,398	2,757,454
Other liabilities	14,244	369,932	384,176	39,875	7,368	3,981	852,289	1,287,689
Total Liabilities	26,511,084	15,750,766	42,261,850	11,233,493	3,085,657	9,559,227	1,913,661	68,053,888
Equity and non-controlling interests	636,082	1,147,090	1,783,172	668,227	94,528	360,220	2,107,498	5,013,645
Total Liabilities, Equity and non-controlling interests	27,147,166	16,897,856	44,045,022	11,901,720	3,180,185	9,919,447	4,021,159	73,067,533
Number of employees	4,921	8,417	13,338	586	262	154	1,558	15,898

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation, until April 2016;
(2) The amount related to Angola considered in discontinued operations / discontinued the "Foreign Business" corresponds to the book value; It does not include the gain recognized under the merger in Angola, which is included in "Other". The impact of the allocation of capital based segments is reflected in the caption interest income
(3) Includes financial assets held for trading, other financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale and hedging derivatives.

Note: As at 30 June 2016, the goodwill disclosed in the financial statements is reflected in Foreign business Euros 2 millions and Euros 165 millions in Other Portugal, as described in note 30.

As at 30 June 2015, the net contribution of the major operational segments for the restated income statement is analysed as follows:

	Commercial Banking			Companies Corporate and Investment		Portfolio		
	Retail in Portugal	Foreign Business (1)	Total	Banking in Portugal	Private Banking	non core business	Other (2)	Consolidated
Income statement								
Interest income	272,983	395,292	668,275	225,941	26,457	111,882	59,550	1,092,105
Interest expense	(143,360)	(167,473)	(310,833)	(61,540)	(21,008)	(84,058)	(43,207)	(520,646)
Net interest income	129,623	227,819	357,442	164,401	5,449	27,824	16,343	571,459
Commissions and other income	161,919	139,891	301,810	92,790	31,617	7,870	6,590	440,677
Commissions and other costs	(7,270)	(40,353)	(47,623)	(3,523)	(3,148)	(18)	(75,816)	(130,128)
Net commissions and other income	154,649	99,538	254,187	89,267	28,469	7,852	(69,226)	310,549
Net gains arising from trading activity	43,017	50,529	93,546	-	2,481	-	382,964	478,991
Share of profit of associates under the equity method	-	(335)	(335)	-	-	-	20,951	20,616
Gains / (losses) arising from the sale of subsidiaries and other assets	-	760	760	-	-	-	(13,171)	(12,411)
Net operating revenue	327,289	378,311	705,600	253,668	36,399	35,676	337,861	1,369,204
Staff costs and administrative costs	250,312	166,871	417,183	48,342	20,473	10,688	(13,152)	483,534
Depreciations	925	12,104	13,029	218	111	12	14,286	27,656
Operating costs	251,237	178,975	430,212	48,560	20,584	10,700	1,134	511,190
Other financial assets impairment (3)	(53,459)	(44,046)	(97,505)	4,030	(1,396)	(433,632)	37,859	(490,644)
Other assets impairment	(47)	(3,264)	(3,311)	75	(28)	(4,557)	(56,790)	(64,611)
Net (loss) / income before income tax	22,546	152,026	174,572	209,213	14,391	(413,213)	317,796	302,759
Income tax	(4,940)	(30,734)	(35,674)	(61,496)	(3,326)	121,898	(67,511)	(46,109)
(Loss) / income after income tax from continuing operations	17,606	121,292	138,898	147,717	11,065	(291,315)	250,285	256,650
(Loss) / income arising from discontinued operations (4)	-	38,183	38,183	-	-	-	14,763	52,946
Net (loss) / income after income tax	17,606	159,475	177,081	147,717	11,065	(291,315)	265,048	309,596
Non-controlling interests	-	(70,714)	(70,714)	-	-	-	1,862	(68,852)
Net (loss) / income after income tax	17,606	88,761	106,367	147,717	11,065	(291,315)	266,910	240,744

As at 31 December2015, the net contribution of the major operational segments, for the balance sheet is analysed as follows:

	Retail in Portugal	Foreign Business (1)	Total	Companies Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other (2)	Consolidated
Balance sheet								
Cash and Loans and advances to credit institutions	7,862,544	2,035,570	9,898,114	1,596,177	2,709,148	3,929	(10,668,990)	3,538,378
Loans and advances to customers	17,276,190	13,119,279	30,395,469	11,196,872	461,197	9,846,147	70,474	51,970,159
Financial assets (5)	20,573	4,515,450	4,536,023	-	8,208	625,649	7,517,991	12,687,871
Other assets	174,817	562,237	737,054	55,371	19,614	517,362	5,359,070	6,688,471
Total Assets	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Deposits from other credit institutions	21,143	1,747,567	1,768,710	3,701,871	318,811	10,375,227	(7,573,574)	8,591,045
Deposits from customers	24,096,720	15,819,898	39,916,618	8,249,175	2,672,330	308,925	391,535	51,538,583
Debt securities issued	647,877	266,012	913,889	2,602	79,080	596	3,772,102	4,768,269
Other financial liabilities	-	576,678	576,678	-	8,526	-	2,324,625	2,909,829
Other liabilities	26,061	543,969	570,030	42,414	8,671	4,477	770,990	1,396,582
Total Liabilities	24,791,801	18,954,124	43,745,925	11,996,062	3,087,418	10,689,225	(314,322)	69,204,308
Equity and non-controlling interests	542,323	1,278,412	1,820,735	852,358	110,749	303,862	2,592,867	5,680,571
Total Liabilities, Equity and non-controlling interests	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Number of employees	4,835	9,616	14,451	585	270	163	1,829	17,298

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(2) Includes the activity of Millennium bcp Gestão de Activos;
(3) Includes the reallocation of impairment from the core portfolio (accounted in the Corporate segment) to the non-core portfolio in the amount of 175 million euros;
(4) The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base, is reflected in net interest income item;
(5) Includes financial assets held for trading, other financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale and hedging derivatives.

Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected, in Foreign business, Euros 2 millions and Euros 173 millions in Other Portugal, as described in note 30.

As at 30 June 2016, the net contribution of the major geographic segments is analysed as follows:

	Portugal									
	Retail Banking	**Companies, Corporate and Investment Banking**	**Private Banking**	**Portfolio non core business**	**Other**	**Total**	**Poland**	**Mozambique**	**Other [(1)]**	**Consolidated**
Income statement										
Interest income	262,580	187,640	14,629	80,682	52,722	598,253	258,359	105,952	2,912	965,476
Interest expense	(72,909)	(46,680)	(7,090)	(63,117)	(41,190)	(230,986)	(96,883)	(36,146)	(657)	(364,672)
Net interest income	189,671	140,960	7,539	17,565	11,532	367,267	161,476	69,806	2,255	600,804
Commissions and other income	187,774	80,551	16,715	5,056	(759)	289,337	79,039	32,706	14,039	415,121
Commissions and other costs	(6,487)	(3,080)	(216)	(16)	(93,550)	(103,349)	(53,707)	(12,697)	(2,813)	(172,566)
Net commissions and other income	181,287	77,471	16,499	5,040	(94,309)	185,988	25,332	20,009	11,226	242,555
Net gains arising from trading activity	(41)	-	-	23,893	52,021	75,873	87,805	17,581	1,564	182,823
Share of profit of associates under the equity method	-	-	-	-	34,763	34,763	-	-	2,953	37,716
Gains / (losses) arising from the sale of subsidiaries and other assets	2	-	-	-	(5,727)	(5,725)	1,175	61	9	(4,480)
Net operating revenue	370,919	218,431	24,038	46,498	(1,720)	658,166	275,788	107,457	18,007	1,059,418
Staff costs and administrative costs	241,303	47,839	7,509	10,632	(11,806)	295,477	111,806	39,444	11,844	458,571
Depreciations	1,043	241	3	10	13,012	14,309	6,473	4,603	95	25,480
Operating costs	242,346	48,080	7,512	10,642	1,206	309,786	118,279	44,047	11,939	484,051
Other financial assets impairment	(36,841)	(271,545)	(922)	(302,623)	(142,680)	(754,611)	(22,799)	(12,744)	(520)	(790,674)
Other assets impairment	(45)	37	-	(5,811)	(12,499)	(18,318)	(8,190)	553	-	(25,955)
Net (loss) / income before income tax	91,687	(101,157)	15,604	(272,578)	(158,105)	(424,549)	126,520	51,219	5,548	(241,262)
Income tax	(27,033)	29,960	(4,603)	80,410	47,641	126,375	(33,026)	(14,351)	(697)	78,301
(Loss) / income after income tax from continuing operations	64,654	(71,197)	11,001	(192,168)	(110,464)	(298,174)	93,494	36,868	4,851	(162,961)
(Loss) / income arising from discontinued operations [(2)]	-	-	-	-	1,092	1,092	-	-	44,135	45,227
Net (loss) / income after income tax	64,654	(71,197)	11,001	(192,168)	(109,372)	(297,082)	93,494	36,868	48,986	(117,734)
Non-controlling interests	-	-	-	-	1,080	1,080	(46,653)	(12,626)	(21,318)	(79,517)
Net (loss) / income after income tax	64,654	(71,197)	11,001	(192,168)	(108,292)	(296,002)	46,841	24,242	27,668	(197,251)
Balance sheet										
Cash and Loans and advances to credit institutions	9,600,646	975,333	1,655,957	5,629	(10,749,503)	1,488,062	1,180,278	331,707	983,022	3,983,069
Loans and advances to customers	17,360,676	10,880,251	176,648	8,664,664	288,688	37,370,927	10,587,124	974,345	253,681	49,186,077
Financial assets [(3)]	19,550	-	-	599,258	8,950,352	9,569,160	3,056,974	302,818	7,741	12,936,693
Other assets	166,294	46,136	10,940	649,896	5,531,622	6,404,888	207,206	130,232	219,368	6,961,694
Total Assets	27,147,166	11,901,720	1,843,545	9,919,447	4,021,159	54,833,037	15,031,582	1,739,102	1,463,812	73,067,533
Deposits from other credit institutions	1,422,540	3,923,330	-	9,195,783	(4,967,912)	9,573,741	1,290,009	53,814	311,084	11,228,648
Deposits from customers	24,555,486	7,268,058	1,763,068	358,893	585,855	34,531,360	12,027,062	1,289,986	913,629	48,762,037
Debt securities issued	518,814	2,230	63,266	570	3,127,031	3,711,911	306,149	-	-	4,018,060
Other financial liabilities	-	-	-	-	2,316,398	2,316,398	433,138	-	7,918	2,757,454
Other liabilities	14,244	39,875	397	3,981	852,289	910,786	252,062	117,870	6,971	1,287,689
Total Liabilities	26,511,084	11,233,493	1,826,731	9,559,227	1,913,661	51,044,196	14,308,420	1,461,670	1,239,602	68,053,888
Equity and non-controlling interests	636,082	668,227	16,814	360,220	2,107,498	3,788,841	723,162	277,432	224,210	5,013,645
Total Liabilities, Equity and non-controlling interests	27,147,166	11,901,720	1,843,545	9,919,447	4,021,159	54,833,037	15,031,582	1,739,102	1,463,812	73,067,533
Number of employees	4,921	586	183	154	1,558	7,402	5,897	2,520	79	15,898

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation, until April 2016;
(2) The amount related to Angola considered in discontinued operations registered in "Others" corresponds to the book value and includes the gain recognized under the merger. The impact of the allocation of capital based segments is reflected in the caption interest income
(3) Includes financial assets held for trading, other financial assets held for trading at fair value, financial assets held to maturity, financial assets available for sale and hedging derivatives.

Note: The goodwill disclosed in the financial statements is reflected in Mozambique Euros 2 millions and Euros 165 millions in Other Portugal, as described in note 30.

As at 30 June 2015, the net contribution of the major geographic segments for the restated income statement is analysed as follows:

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other (1)	Total	Poland	Mozambique	Other (2)	Consolidated
Income statement										
Interest income	272,983	225,941	15,893	111,882	59,550	686,249	278,223	117,070	10,563	1,092,105
Interest expense	(143,360)	(61,540)	(13,979)	(84,058)	(43,207)	(346,144)	(122,843)	(43,700)	(7,959)	(520,646)
Net interest income	129,623	164,401	1,914	27,824	16,343	340,105	155,380	73,370	2,604	571,459
Commissions and other costs	161,919	92,790	15,996	7,870	6,590	285,165	93,379	46,512	15,621	440,677
Commissions and other costs	(7,270)	(3,523)	(114)	(18)	(75,816)	(86,741)	(25,494)	(14,859)	(3,034)	(130,128)
Net commissions and other income	154,649	89,267	15,882	7,852	(69,226)	198,424	67,885	31,653	12,587	310,549
Net gains arising from trading activity	43,017	-	-	-	382,964	425,981	28,769	21,761	2,480	478,991
Share of profit of associates under the equity method	-	-	-	-	20,951	20,951	(335)	-	-	20,616
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	-	(13,171)	(13,171)	586	174	-	(12,411)
Net operating revenue	327,289	253,668	17,796	35,676	337,861	972,290	252,285	126,958	17,671	1,369,204
Staff costs and administrative costs	250,312	48,342	8,098	10,688	(13,152)	304,288	117,387	49,484	12,375	483,534
Depreciations	925	218	3	12	14,286	15,444	5,912	6,192	108	27,656
Operating costs	251,237	48,560	8,101	10,700	1,134	319,732	123,299	55,676	12,483	511,190
Other financial assets impairment (3)	(53,459)	4,030	(1,409)	(433,632)	37,859	(446,611)	(32,213)	(11,833)	13	(490,644)
Other assets impairment	(47)	75	-	(4,557)	(56,790)	(61,319)	(2,306)	(957)	(29)	(64,611)
Net (loss) / income before income tax	22,546	209,213	8,286	(413,213)	317,796	144,628	94,467	58,492	5,172	302,759
Income tax	(4,940)	(61,496)	(2,449)	121,898	(67,511)	(14,498)	(19,961)	(11,052)	(598)	(46,109)
(Loss) / income after income tax from continuing operations	17,606	147,717	5,837	(291,315)	250,285	130,130	74,506	47,440	4,574	256,650
(Loss) / income arising from discontinued operations (4)	-	-	-	-	14,763	14,763	-	-	38,183	52,946
Net (loss) / income after income tax	17,606	147,717	5,837	(291,315)	265,048	144,893	74,506	47,440	42,757	309,596
Non-controlling interests	-	-	-	-	1,862	1,862	(37,178)	(15,797)	(17,739)	(68,852)
Net (loss) / income after income tax	17,606	147,717	5,837	(291,315)	266,910	146,755	37,328	31,643	25,018	240,744

As at 31 December 2015, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other (1)	Total	Poland	Mozambique	Other (2)	Consolidated
Balance sheet										
Cash and Loans and advances to credit institutions	7,862,544	1,596,177	1,644,812	3,929	(10,668,990)	438,472	1,007,326	435,761	1,656,819	3,538,378
Loans and advances to customers	17,276,190	11,196,872	214,299	9,846,147	70,474	38,603,982	10,874,876	1,296,540	1,194,761	51,970,159
Financial assets (5)	20,573	-	-	625,649	7,517,991	8,164,213	3,443,228	473,101	607,329	12,687,871
Other assets	174,817	55,371	11,633	517,362	5,359,070	6,118,253	208,530	149,508	212,180	6,688,471
Total Assets	25,334,124	12,848,420	1,870,744	10,993,087	2,278,545	53,324,920	15,533,960	2,354,910	3,671,089	74,884,879
Deposits from other credit institutions	21,143	3,701,871	-	10,375,227	(7,573,574)	6,524,667	1,282,042	188,607	595,729	8,591,045
Deposits from customers	24,096,720	8,249,175	1,769,299	308,925	391,535	34,815,654	12,384,534	1,743,638	2,594,757	51,538,583
Debt securities issued	647,877	2,602	79,080	596	3,772,102	4,502,257	266,012	-	-	4,768,269
Other financial liabilities	-	-	-	-	2,324,625	2,324,625	576,544	-	8,660	2,909,829
Other liabilities	26,061	42,414	686	4,477	770,990	844,628	306,191	137,401	108,362	1,396,582
Total Liabilities	24,791,801	11,996,062	1,849,065	10,689,225	(314,322)	49,011,831	14,815,323	2,069,646	3,307,508	69,204,308
Equity and non-controlling interests	542,323	852,358	21,679	303,862	2,592,867	4,313,089	718,637	285,264	363,581	5,680,571
Total Liabilities, Equity and non-controlling interests	25,334,124	12,848,420	1,870,744	10,993,087	2,278,545	53,324,920	15,533,960	2,354,910	3,671,089	74,884,879
Number of employees	4,835	585	187	163	1,829	7,599	5,939	2,486	1,274	17,298

(1) Includes the activity of Millennium bcp Gestão de Activos;
(2) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(3) Includes the reallocation of impairment from the core portfolio (accounted in the Corporate segment) to the non-core portfolio in the amount of 175 million euros;
(4) The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base, is reflected in net interest income item;
(5) Includes financial assets held for trading, other financial assets held for trading at fair value, financial assets held to maturity, financial assets available for sale and hedging derivatives.

Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected in Mozambique Euros 2 millions and Euros 173 millions in Other Portugal, as described in note 30.

Reconciliation of net income of reportable segments with the net result of the Group

	Jun 2016 Euros '000	Jun 2015 (restated) Euros '000
Net contribution:		
Retail Banking in Portugal	64,654	17,606
Companies, Corporate and Investment Banking	(71,197)	147,717
Private Banking	11,001	5,837
Portfolio non core business	(192,168)	(291,315)
Foreign Business (continuing operations) (5)	135,213	126,520
Non-controlling interests (1)	(79,517)	(68,852)
	(132,014)	(62,487)
Income / (Loss) from discontinued operations (2)	45,227	52,946
	(86,787)	(9,541)
Amounts not allocated to segments:		
Interests of hybrid instruments	(32,801)	(32,303)
Net interest income of the bond portfolio	18,382	43,964
Interests written off	(930)	(31,900)
Own Credit Risk	10,641	(14,078)
Impact of exchange rate hedging of investments	12,065	2,957
Equity accounted earnings	34,763	20,951
Impairment and other provisions (3)	(155,178)	(18,930)
Operational costs	(1,206)	(1,135)
Gains on sale of public debt (4)	(4,725)	385,478
Mandatory contributions	(51,711)	(32,627)
Gains of the acquisition of Visa Europe by Visa Inc. (5)	26,400	-
Others (6)	33,836	(72,092)
Total not allocated to segments	(110,464)	250,285
Consolidated net income / (loss)	(197,251)	240,744

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola. Concerning to Angola, in the first semester of 2016, only includes the figures of the first four months of the year since from may on the contribution of the new merged entity, Banco Millennium Atlântico, resulted from the merger process of Banco Millennium in Angola with Banco Privado Atlântico started being accounted using the equity method.

(2) Includes the book value of the subsidiary in Angola considered as a discontinued operation. Concerning to Angola, in the first semester of 2016, only includes the figures of the first four months of the year, since from May 2016 on, the contribution of the new merged entity, Banco Millennium Atlântico, resulted from the merger process of Banco Millennium in Angola with Banco Privado Atlântico started being accounted using the equity method.

(3) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to business segments. In June 2016 includes the impact of Euros 123.3 million related with the devaluation of corporate restructuring funds.

(4) Does not include values allocated to business segments.

(5) The result of the net contribution of the Foreign Business (continuing operations) includes Euros 64.6 million arising from the gain related to the sale of operation Visa Europe by the Bank Millennium in Poland. The caption Gains on the acquisition of Visa Europe by Visa Inc. includes only the amount of Euros 26.4 million related to gains from the same operation in Portugal (see note 7).

(6) It includes other operations not allocated previously namely funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

51. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding risk/return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal Organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Management and Control model

For the purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

- Trading and Sales: involves those positions for which the goal is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities and the derivatives of the sales activities;
- Financing: Financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
- Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with other purposes than short-term gains; it also includes any other risk hedging operations associated to those positions;
- Commercial: includes all operations (assets and liabilities) held at the normal course of business of the Group with its customers;
- ALM: it represents the Assets and Liabilities management function, including operations decided by CALCO in the Group's global risk management function and centralizes the transfer of risk between the remaining areas;
- Structural: deals with balance sheet elements or operations that, due to their nature, are not directly related to any of the other areas, including structural financing operations of the Group, capital and balance sheet fixed items;

The definition of these management areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure), as at 30 June 2016 and 31 December 2015 is presented in the following table:

Risk items	Jun 2016 Euros '000	Dec 2015 Euros '000
Central Governments or Central Banks	11,094,926	9,500,002
Regional Governments or Local Authorities	716,696	689,819
Administrative and non-profit Organisations	811,413	800,075
Multilateral Development Banks	65,939	47,987
Other Credit Institutions	3,463,669	3,195,899
Retail and Corporate customers	60,172,819	63,767,726
Other items	13,529,139	13,485,328
	89,854,601	91,486,836

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 30 June 2016 of the credit granted to entities whose country is one of those identified.

		Jun 2016					Euros '000
		Country					
Counterparty type	**Maturity**	**Spain**	**Greece**	**Hungary**	**Ireland**	**Italy**	**Portugal**
Financial Institutions	2016	846	13	194	32	53	157,224
	2017	97	-	-	-	-	53,762
	>2017	5,006	-	-	-	6,000	465,054
		5,949	13	194	32	6,053	676,040
Companies	2016	33,667	-	-	5,886	-	4,087,556
	2017	60,000	-	-	-	-	363,475
	>2017	42,178	35,255	-	155	-	6,834,835
		135,845	35,255	-	6,041	-	11,285,866
Retail	2016	9,460	53	4	80	122	2,064,499
	2017	66,783	12	-	26	60	406,751
	>2017	28,173	413	113	48,467	5,426	20,333,339
		104,416	478	117	48,573	5,608	22,804,589
State and other public entities	2016	-	-	-	-	-	1,670,121
	2017	34,500	-	-	-	-	1,207,897
	>2017	468	-	-	319	50,413	3,973,160
		34,968	-	-	319	50,413	6,851,178
Total country		281,178	35,746	311	54,965	62,074	41,617,673

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The Bank of Portugal applied for a group of templates to evaluate the risk associated to the loans portfolio and the calculation of the corresponding losses. Methodological notes regarding the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk credit associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, the substitution principle is applied by replacing the Risk Grade of the client by the Risk Grade of the guarantor, if the Risk of Grade Degree of the guarantor is better than the client's, when:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, an adhering contracting party);
- the mitigation is effective through credit derivatives.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' or credit areas.

There is always a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparing - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Notice n.5/2007 of Bank of Portugal and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notices n. 5/2006 and n.5/2007 of Bank of Portugal, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following three methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed 70% of the revised collateral;
ii) - review based on recent reviews, geographically close, certified by internal expert;
iii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with established standards.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Notice n.5/2007 of Bank of Portugal, in the case of offices, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out, by an expert valuer.

For the remaining real estate (land, commercial real estate country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring or reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation, in accordance with the IRB approach. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality of the clients and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default and/or impairment, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analyzed and ratified by a specific Validation Committee, composed in accordance to the type of model analyzed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

c) Impairment and Write-offs

In order to align with the international best practices in this area, the credit impairment calculation within BCP Group integrates the general principles defined by IAS 39 and the guidelines issued by the Bank of Portugal through "Carta-Circular 2/2014 / DSP".

This process is based, as far as possible, on the concepts and the data used in capital requirements calculation according to the Internal Ratings Based Approach (IRB).

There are three components to be considered in impairment calculation, according to the risk and complexity of the customers, the size of its exposure and whether there is objective evidence of impairment:

- Individual analysis for customers with high exposure and risk;
- Collective analysis for customers in default or considered at high risk, not included in individual analysis;
- Collective analysis of customers not in default, non-high risk or without enough evidence of impairment to justify, as a result of individual analysis, their treatment as customers in default (IBNR - Incurred But Not Reported component).

Customers in one of the following conditions are submitted to individual analysis:

Customers in default

i) Customers in insolvency or under legal proceedings provided that the total exposure of the group's customers in these situations exceed Euros 1 million;
ii) Customers rated “15” integrated in groups with exposure above Euros 5 million;

Customers not in default but with impairment signs

iii) Customers rated “14” integrated in groups with exposure above Euros 5 million;

Groups or Customers without impairment signs

iv) Other customers integrating groups under the above conditions;
v) Groups or customers with exposure above Euros 5 million having restructured credits and rated "13";
vi) Groups or Customers with exposure above Euros 10 million, provided that in a group entity some pre-defined impairment soft signs exist;
vii) Groups or Customers not included in the preceding paragraphs, with exposure above Euros 25 million.

Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) are Special Vehicle Investment (SPV);

Individual analysis includes the following procedures:

- For customers without impairment signs, analysis of a set of financial difficulties indicators, in order to conclude if the customer has objective impairment signs;
- For customers with impairment signs and for those in which objective evidence of impairment is identified in the above mentioned preliminary analysis, loss estimation.

Customers included in the individual analysis are submitted to a process that takes place periodically, in order to get estimations of recovery expectations – amount and time. For each customer, those estimates must be supported mainly in the prospects of receiving monetary, financial or physical assets and in the forecasted period for those receipts.

This process is carried out by recovery areas or by the Credit Division, supported by all the relevant elements for the calculation of impairment, including the following ones:

- economic and financial data, based on the most recent financial statements of the customer;
- qualitative data, characterizing the customer's situation, particularly with regard to the economic viability of the business;
- estimated cash flows for the clients on an ongoing basis;
- customers behaviour in their relationship with the Bank and with the Financial System.

In addition, information on collaterals and guarantees plays an important role, mainly for real estate companies and whenever the viability of the customer’s business is weak.

The Bank takes a conservative approach concerning collaterals, working with haircuts that incorporate the risk of assets devaluation, the sale and maintenance costs and the required time for sale.

For each client, the impairment is calculated as the difference between the exposure and the sum of the expected cash-flows of all the businesses, discounted at the effective interest rate of each operation.

Credits to customers that are not individually analyzed are grouped according to their risk characteristics, and impairment is based on homogenous populations, assuming a one-year emergence period (or loss identification period).

Collective impairment is calculated according to the following formula:

Impairment = EAD * PD * LGD.

where EAD represents the exposure at default, adjusted from financial collaterals, PD represents the probability of one client without impairment sings to be defaulted on the recognized loss period, and LGD represents the loss given default.

For the calculation of PD, the homogeneous populations result from the following factors:

- Customer segment for rating purposes (according to the corresponding rating model);
- Risk bucket, depending on customer current status (different probabilities of default correspond to the several buckets).

For the calculation of LGD, the homogeneous populations result from the following factors:

- Customer segment;
- Defaulted period; and
- LTV (Loan to Value) for exposures collateralized by real estate.

LGD estimation is mainly based on the following components:
- a priori definition of the possible recovery scenarios;
- historical information about the Bank's recovery processes, mainly regarding incurred losses and the probabilities associated to each of the recovery scenarios;
- direct and indirect costs associated to the recovery processes;
- discounted rate to be used in the discount of the cash-flows to the date of default;
- collaterals associated to each loan.

The criteria and the concepts underlying the definition of the above mentioned homogeneous populations are in line with the ones used for capital requirements (IRB) purposes.

The results of the impairment calculation process are the subject of accounting. In accordance with "Carta-Circular 15/2009" from the Bank of Portugal, write-offs take place whenever the recovery expectancy is about zero; hence, when impairment reaches 100%, credits shall be considered as uncollectible. However, even if a credit not yet has an impairment of 100% can also be classified as uncollectible, provided there are no recovery expectations. It is noteworthy that all of the described procedures and methodologies are subject to internal regulations approved by the Board of Directors, concerning impairment, credit granting and monitoring and non-performing credit treatment.

The following tables detail the exposures and impairment by segment, as at 30 June 2016. The data presented includes the irrevocable credit lines, guarantees and commitments and does not consider effective interest rates and of the traditional securitization operations.

	Exposure					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which of the default situation (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and CRE	7,208,137	5,197,261	144,602	481,182	2,010,876	726,005
Companies-Other Activities	20,205,388	18,342,411	166,794	1,124,520	1,862,977	828,478
Mortgage loans	23,943,661	22,458,957	226,293	672,090	1,484,704	369,605
Individuals - Others	4,629,612	3,846,078	32,006	172,615	783,534	259,836
Other loans	3,074,004	2,466,669	184,797	319,863	607,335	328,361
Total	59,060,802	52,311,376	754,492	2,770,270	6,749,426	2,512,285

	Impairment		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and CRE	971,106	188,790	782,316
Companies-Other Activities	1,470,873	517,689	953,184
Mortgage loans	354,420	48,313	306,107
Individuals - Others	488,827	64,118	424,709
Other loans	541,285	220,090	321,195
Total	3,826,511	1,039,000	2,787,511

The following tables detail the exposures and impairment by segments, as at 31 December 2015. The data presented includes the irrevocable credit lines, guarantees and commitments and does not consider effective interest rates and of the traditional securitization operations.

	Exposure					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which of the default situation (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and CRE	8,189,817	6,202,068	142,318	627,875	1,987,749	590,266
Companies-Other Activities	22,732,956	20,415,829	376,958	1,378,401	2,317,127	1,224,492
Mortgage loans	24,488,366	22,977,817	284,860	693,118	1,510,549	356,014
Individuals - Others	4,930,511	4,127,962	16,117	228,224	802,549	285,550
Other loans	2,016,731	1,921,132	2,631	11,690	95,599	45,056
Total	62,358,381	55,644,808	822,884	2,939,308	6,713,573	2,501,378

	Impairment		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and CRE	953,713	214,356	739,357
Companies-Other Activities	1,694,993	662,328	1,032,665
Mortgage loans	341,144	49,424	291,720
Individuals - Others	505,765	73,801	431,964
Other loans	47,179	20,480	26,699
Total	3,542,794	1,020,389	2,522,405

(a) - Credits that have been in default for more than 90 days or have been classified as Credit Risk and which, in the past 12 months, did not verify any of these conditions;
(b) - Credits in which there have been changes in the contractual terms, motivated by customer financial difficulties.

The following tables include the detail of the exposure non-performing loans and impairment respectively by segment, as at 30 June 2016:

	Exposure					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	7,208,137	4,127,858	913,112	5,040,970	444,047	1,566,829
Companies-Other Activities	20,205,388	15,391,586	2,130,122	17,521,708	330,162	1,532,877
Mortgage loans	23,943,661	21,771,830	463,228	22,235,058	70,070	1,414,634
Individuals - Others	4,629,612	3,605,720	172,550	3,778,270	88,477	695,057
Other loans	3,074,004	2,021,909	441,430	2,463,339	63,745	543,590
Total	59,060,802	46,918,903	4,120,442	51,039,345	996,501	5,752,987

	Impairment				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	971,106	164,305	24,485	186,384	595,932
Companies-Other Activities	1,470,873	495,623	22,066	127,964	825,220
Mortgage loans	354,420	38,147	10,166	12,719	293,388
Individuals - Others	488,827	50,227	13,891	28,838	395,871
Other loans	541,285	219,630	460	18,913	302,282
Total	3,826,511	967,932	71,068	374,818	2,412,693

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

The following tables include the detail of the exposure non-performing loans and impairment respectively by segment, as at 31 December 2015:

	Exposure					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	8,189,817	4,680,249	1,379,914	6,060,163	242,209	1,745,540
Companies-Other Activities	22,732,956	17,541,522	2,745,240	20,286,762	283,954	2,033,174
Mortgage loans	24,488,366	22,258,402	539,239	22,797,641	79,579	1,430,970
Individuals - Others	4,930,511	3,820,004	245,895	4,065,899	44,600	757,948
Other loans	2,016,731	1,741,057	178,373	1,919,430	39,218	56,381
Total	62,358,381	50,041,234	5,088,661	55,129,895	689,560	6,024,013

	Impairment				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	953,713	192,827	21,529	44,749	694,608
Companies-Other Activities	1,694,993	646,369	15,959	98,875	933,790
Mortgage loans	341,144	41,407	8,017	13,325	278,395
Individuals - Others	505,765	61,011	12,789	19,986	411,979
Other loans	47,179	19,987	493	6,688	20,011
Total	3,542,794	961,601	58,787	183,623	2,338,783

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

As at 30 June 2016, the following table includes the loans portfolio by segment and by year of production:

Period of production	Construction and Commercial Real Estate (CRE)	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
2004 and previous						
Number of operations	11,221	22,276	125,551	391,795	457	551,300
Value (Euros '000)	738,855	2,171,431	3,968,252	362,293	89,649	7,330,480
Impairment constituted (Euros '000)	101,546	105,169	69,080	32,276	1,947	310,018
2005						
Number of operations	1,969	3,614	46,318	56,339	57	108,297
Value (Euros '000)	208,089	378,719	2,183,448	88,034	20,274	2,878,564
Impairment constituted (Euros '000)	41,163	49,323	42,140	12,378	2,232	147,236
2006						
Number of operations	2,264	4,271	66,350	71,552	102	144,539
Value (Euros '000)	268,145	810,856	3,463,640	120,621	41,186	4,704,448
Impairment constituted (Euros '000)	38,878	34,253	54,460	14,553	1,940	144,084
2007						
Number of operations	2,916	5,741	79,046	93,727	112	181,542
Value (Euros '000)	550,777	1,136,375	4,483,955	163,717	208,774	6,543,598
Impairment constituted (Euros '000)	100,186	80,911	75,044	23,844	107,729	387,714
2008						
Number of operations	3,659	6,864	56,953	106,593	134	174,203
Value (Euros '000)	795,266	1,196,784	3,452,146	173,248	124,401	5,741,845
Impairment constituted (Euros '000)	98,636	235,951	54,490	32,752	21,765	443,594
2009						
Number of operations	3,689	6,034	23,359	100,916	144	134,142
Value (Euros '000)	504,256	963,281	1,249,536	151,403	190,132	3,058,608
Impairment constituted (Euros '000)	70,052	48,777	20,439	27,904	38,385	205,557
2010						
Number of operations	3,684	7,144	25,172	135,014	196	171,210
Value (Euros '000)	613,685	725,114	1,334,738	200,049	453,436	3,327,022
Impairment constituted (Euros '000)	88,488	102,302	11,400	39,460	228,111	469,761
2011						
Number of operations	3,735	10,568	16,280	161,931	185	192,699
Value (Euros '000)	365,202	864,750	783,913	197,130	69,789	2,280,784
Impairment constituted (Euros '000)	51,811	96,396	4,804	38,843	27,260	219,114
2012						
Number of operations	3,752	13,284	13,481	157,218	279	188,014
Value (Euros '000)	474,793	1,587,776	585,836	247,178	138,958	3,034,541
Impairment constituted (Euros '000)	66,481	117,375	5,047	51,595	14,033	254,531
2013						
Number of operations	4,884	18,734	14,107	212,761	523	251,009
Value (Euros '000)	606,972	1,741,958	686,305	431,871	494,935	3,962,041
Impairment constituted (Euros '000)	70,535	122,056	6,834	63,035	14,867	277,327
2014						
Number of operations	5,213	24,528	10,140	250,910	671	291,462
Value (Euros '000)	631,673	2,697,607	561,507	616,967	328,399	4,836,153
Impairment constituted (Euros '000)	100,431	150,524	5,323	66,378	17,278	339,934
2015						
Number of operations	6,378	30,290	11,339	332,856	1,244	382,107
Value (Euros '000)	879,140	3,491,460	728,344	1,037,384	404,302	6,540,630
Impairment constituted (Euros '000)	83,985	217,617	3,215	56,319	54,799	415,935
2016						
Number of operations	6,187	49,570	7,278	193,426	1,958	258,419
Value (Euros '000)	571,284	2,439,277	462,041	839,717	509,769	4,822,088
Impairment constituted (Euros '000)	58,914	110,219	2,144	29,490	10,939	211,706
Total						
Number of operations	59,551	202,918	495,374	2,265,038	6,062	3,028,943
Value (Euros '000)	7,208,137	20,205,388	23,943,661	4,629,612	3,074,004	59,060,802
Impairment constituted (Euros '000)	971,106	1,470,873	354,420	488,827	541,285	3,826,511

As at 31 December 2015, the following table includes the loans portfolio by segment and by year of production:

Period of production	Construction and Commercial Real Estate (CRE)	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
2004 and previous						
Number of operations	12,611	23,399	129,076	412,140	1,591	578,817
Value (Euros '000)	1,032,598	2,411,520	4,180,559	413,251	361,983	8,399,911
Impairment constituted (Euros '000)	107,034	170,647	65,887	34,077	4,615	382,260
2005						
Number of operations	2,091	3,865	47,133	59,305	32	112,426
Value (Euros '000)	240,699	437,567	2,262,893	96,115	2,592	3,039,866
Impairment constituted (Euros '000)	39,916	61,450	41,952	12,929	62	156,309
2006						
Number of operations	2,495	4,653	67,885	75,785	54	150,872
Value (Euros '000)	312,186	886,574	3,591,662	130,013	7,609	4,928,044
Impairment constituted (Euros '000)	49,589	35,760	52,244	15,709	1,687	154,989
2007						
Number of operations	3,316	6,341	80,352	99,309	59	189,377
Value (Euros '000)	699,647	1,452,253	4,648,405	176,793	12,607	6,989,705
Impairment constituted (Euros '000)	115,351	140,693	75,502	27,144	301	358,991
2008						
Number of operations	4,047	7,614	57,873	113,306	108	182,948
Value (Euros '000)	864,894	1,688,936	3,580,043	191,700	40,547	6,366,120
Impairment constituted (Euros '000)	114,750	214,531	51,148	35,679	903	417,011
2009						
Number of operations	4,198	6,794	23,916	109,562	125	144,595
Value (Euros '000)	585,616	1,082,606	1,302,664	180,937	41,718	3,193,541
Impairment constituted (Euros '000)	76,597	92,917	16,813	40,548	3,355	230,230
2010						
Number of operations	4,211	8,155	25,794	147,320	173	185,653
Value (Euros '000)	663,259	1,277,295	1,395,717	233,214	51,868	3,621,353
Impairment constituted (Euros '000)	68,276	243,572	11,384	44,506	3,554	371,292
2011						
Number of operations	4,337	12,911	16,731	174,982	142	209,103
Value (Euros '000)	416,826	1,053,559	833,007	235,025	38,481	2,576,898
Impairment constituted (Euros '000)	69,428	89,522	4,914	44,651	4,790	213,305
2012						
Number of operations	4,463	15,768	13,824	168,051	582	202,688
Value (Euros '000)	548,336	1,841,334	628,836	294,541	98,731	3,411,778
Impairment constituted (Euros '000)	52,372	111,262	5,048	58,951	3,239	230,872
2013						
Number of operations	5,572	21,360	14,452	232,881	544	274,809
Value (Euros '000)	748,875	2,288,687	723,798	580,291	389,952	4,731,603
Impairment constituted (Euros '000)	85,957	126,750	6,781	68,661	5,909	294,058
2014						
Number of operations	5,837	27,049	10,395	283,421	692	327,394
Value (Euros '000)	830,066	3,169,496	592,492	829,709	490,686	5,912,449
Impairment constituted (Euros '000)	79,823	166,901	5,610	68,977	12,512	333,823
2015						
Number of operations	10,091	59,947	11,250	375,097	1,556	457,941
Value (Euros '000)	1,246,815	5,143,129	748,290	1,568,922	479,957	9,187,113
Impairment constituted (Euros '000)	94,620	240,988	3,861	53,933	6,252	399,654
Total						
Number of operations	63,269	197,856	498,681	2,251,159	5,658	3,016,623
Value (Euros '000)	8,189,817	22,732,956	24,488,366	4,930,511	2,016,731	62,358,381
Impairment constituted (Euros '000)	953,713	1,694,993	341,144	505,765	47,179	3,542,794

As at 30 June 2016, the following tables include the details of the loans portfolio and individual and the collective impairment by segment, sector and geography:

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	2,468,629	4,739,508	7,208,137	752,445	218,661	971,106
Companies - Other Activities	3,327,736	16,877,652	20,205,388	1,130,037	340,836	1,470,873
Mortgage loans	62,494	23,881,167	23,943,661	21,281	333,139	354,420
Individuals - Others	163,691	4,465,921	4,629,612	63,558	425,269	488,827
Other loans	1,207,947	1,866,057	3,074,004	519,841	21,444	541,285
Total	7,230,497	51,830,305	59,060,802	2,487,162	1,339,349	3,826,511

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Sector	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Loans to Individuals	216,591	26,870,936	27,087,527	80,987	699,871	780,858
Manufacturing	323,052	3,957,825	4,280,877	133,807	99,288	233,095
Construction	1,090,900	2,406,550	3,497,450	334,203	140,138	474,341
Commerce	223,118	4,470,655	4,693,773	104,084	184,491	288,575
Real Estate Promotion	710,344	727,378	1,437,722	193,996	14,329	208,325
Other Services	4,056,613	9,874,062	13,930,675	1,492,941	164,090	1,657,031
Other Activities	609,879	3,522,899	4,132,778	147,144	37,142	184,286
Total	7,230,497	51,830,305	59,060,802	2,487,162	1,339,349	3,826,511

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Geography	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Portugal	6,723,629	37,913,315	44,636,944	2,335,583	1,088,818	3,424,401
Mozambique	70,120	1,532,131	1,602,251	28,469	48,208	76,677
Poland	221,813	12,384,859	12,606,672	122,024	202,323	324,347
Switzerland	214,935	-	214,935	1,086	-	1,086
Total	7,230,497	51,830,305	59,060,802	2,487,162	1,339,349	3,826,511

As at 31 December 2015, the following tables include the details of the loans portfolio and individual and the collective impairment by segment:

	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	2,886,383	5,303,434	8,189,817	732,516	221,197	953,713
Companies - Other Activities	4,292,726	18,440,230	22,732,956	1,336,467	358,526	1,694,993
Mortgage loans	59,613	24,428,753	24,488,366	20,746	320,398	341,144
Individuals - Others	252,149	4,678,362	4,930,511	75,184	430,581	505,765
Other loans	346,728	1,670,003	2,016,731	28,018	19,161	47,179
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

As at 31 December 2015, the following tables include the details of the loans portfolio and individual and the collective impairment by sector and geography:

	Exposure			Impairment		
Sector	Individual Euros '000	Collective Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Loans to Individuals	292,600	27,437,525	27,730,125	85,043	692,124	777,167
Manufacturing	388,032	4,090,637	4,478,669	143,023	98,017	241,040
Construction	1,237,097	2,786,561	4,023,658	312,919	137,284	450,203
Commerce	297,513	4,738,677	5,036,190	122,744	191,413	314,157
Real Estate Promotion	768,062	800,971	1,569,033	203,248	15,616	218,864
Other Services	4,168,200	10,512,458	14,680,658	1,219,629	171,062	1,390,691
Other Activities	686,095	4,153,953	4,840,048	106,325	44,347	150,672
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

	Exposure			Impairment		
Geography	Individual Euros '000	Collective Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Portugal	6,949,421	38,876,540	45,825,961	1,992,318	1,064,049	3,056,367
Angola	341,823	903,143	1,244,966	35,933	13,054	48,987
Mozambique	112,673	1,956,315	2,068,988	30,979	59,928	90,907
Poland	226,760	12,784,784	13,011,544	133,134	212,832	345,966
Switzerland	206,922	-	206,922	567	-	567
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

The following chart includes the entrances and the exits of the restructured loans portfolio:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Balance on 1 January	5,440,684	6,294,286
Transfers from structure changes	(71,197)	-
Restructured loans in the period	395,250	436,797
Accrued interests of the restructured portfolio	8,293	13,714
Settlement restructured credits (partial or total)	(248,713)	(669,484)
Reclassified loans from restructured to normal	(178,117)	(334,469)
Others	(63,647)	(300,160)
Balance at the end of the period	5,282,553	5,440,684

As at 30 June 2016, the following table includes the fair value of the collaterals associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	Construction and Commercial Real Estate		Companies-Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**
< 0.5 M€						
Number	10,923	6,468	11,954	48,272	410,832	459
Value (Euros '000)	1,272,031	130,804	1,666,376	536,335	44,810,200	23,390
>= 0.5 M€ and < 1 M€						
Number	630	48	1,335	255	2,053	4
Value (Euros '000)	426,780	29,464	921,606	139,121	1,319,121	2,663
>= 1 M€ and < 5 M€						
Number	462	47	1,090	215	273	2
Value (Euros '000)	910,519	93,372	2,148,440	352,383	398,440	6,337
>= 5 M€ and < 10 M€						
Number	58	4	111	20	6	-
Value (Euros '000)	386,372	28,214	756,726	124,094	38,118	-
>= 10 M€ and < 20 M€						
Number	42	5	60	11	-	-
Value (Euros '000)	595,743	58,189	818,093	164,967	-	-
>= 20 M€ and < 50 M€						
Number	14	3	29	6	-	-
Value (Euros '000)	422,484	102,852	976,306	202,197	-	-
>= 50 M€						
Number	6	2	10	4	-	-
Value (Euros '000)	390,514	124,836	918,432	823,606	-	-
Total						
Number	12,135	6,577	14,589	48,783	413,164	465
Value (Euros '000)	4,404,443	567,731	8,205,979	2,342,703	46,565,879	32,390

As at 31 December 2015, the following table includes the fair value of the collaterals associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**	**Real Estate**	**Other Collateral**
< 0.5 M€						
Number	12,056	6,495	12,089	44,802	415,798	475
Value (Euros '000)	1,394,317	153,284	1,701,192	546,688	46,374,024	24,919
>= 0.5 M€ and < 1 M€						
Number	667	87	1,304	290	2,170	6
Value (Euros '000)	454,885	53,665	906,023	150,550	1,397,548	4,400
>= 1 M€ and < 5 M€						
Number	565	61	1,127	234	278	1
Value (Euros '000)	1,158,314	123,633	2,234,597	381,216	399,695	1,916
>= 5 M€ and < 10 M€						
Number	60	15	112	27	4	2
Value (Euros '000)	412,657	101,666	764,916	173,204	28,090	11,211
>= 10 M€ and < 20 M€						
Number	48	6	69	9	2	-
Value (Euros '000)	669,655	67,384	944,784	126,314	27,751	-
>= 20 M€ and < 50 M€						
Number	24	5	31	11	-	-
Value (Euros '000)	801,044	143,204	1,011,505	334,676	-	-
>= 50 M€						
Number	8	10	11	4	3	-
Value (Euros '000)	532,218	1,388,612	1,003,032	430,381	1,707,907	-
Total						
Number	13,428	6,679	14,743	45,377	418,255	484
Value (Euros '000)	5,423,090	2,031,448	8,566,049	2,143,029	49,935,015	42,446

As at 30 June 2016, the following table includes the LTV ratio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

Segment/Ratio	Number of properties	Performing loans Euros '000	Non-performing loans Euros '000	Impairment Euros '000
Construction and Commercial Real Estate				
Without associated collateral	n.a.	2,755,445	548,768	324,629
<60%	5,570	416,518	43,107	23,001
>=60% and <80%	1,338	288,113	38,998	10,288
>=80% and <100%	866	138,966	63,286	18,841
>=100%	53,086	1,598,219	1,316,717	594,347
Companies - Other Activities				
Without associated collateral	n.a.	13,536,323	933,580	753,807
<60%	30,745	1,423,995	105,423	63,753
>=60% and <80%	11,321	804,990	38,168	17,695
>=80% and <100%	9,060	715,261	28,320	34,232
>=100%	16,444	1,861,842	757,486	601,386
Mortgage loans				
Without associated collateral	n.a.	67,694	11,022	6,425
<60%	231,831	7,664,522	134,764	17,982
>=60% and <80%	126,325	7,074,305	184,085	16,618
>=80% and <100%	84,524	4,684,606	327,575	36,379
>=100%	66,729	2,967,830	827,258	277,016

As at 31 December 2015, the following table includes the LTV ratio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

Segment/Ratio	Number of properties	Performing loans Euros '000	Non-performing loans Euros '000	Impairment Euros '000
Construction and Commercial Real Estate				
Without associated collateral	n.a.	2,314,023	557,414	331,837
<60%	5,717	453,599	54,388	24,024
>=60% and <80%	1,342	249,570	39,988	10,014
>=80% and <100%	916	179,502	62,068	18,762
>=100%	55,935	2,017,784	1,269,573	553,321
Companies - Other Activities				
Without associated collateral	n.a.	13,720,242	927,234	791,513
<60%	28,565	1,583,484	85,946	64,946
>=60% and <80%	11,097	759,614	45,272	14,638
>=80% and <100%	8,153	769,771	31,884	23,879
>=100%	21,986	2,956,534	1,161,964	766,348
Mortgage loans				
Without associated collateral	n.a.	73,729	8,353	5,864
<60%	236,427	7,936,249	140,152	19,231
>=60% and <80%	126,533	7,159,413	191,078	16,967
>=80% and <100%	88,138	4,981,900	362,166	39,580
>=100%	61,705	2,806,731	807,200	257,976

As at 30 June 2016, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

Asset	Number of properties	Fair value of the asset Euros '000	Book value Euros '000
Land			
Urban	2,006	751,866	698,440
Rural	168	13,104	10,184
Buildings in development			
Commercials	3	47,008	47,008
Others	2	697	697
Constructed buildings			
Commercials	1,626	303,940	269,356
Mortgage loans	5,676	634,268	549,195
Others	416	191,923	157,827
Others	1	3,817	3,817
Total	9,898	1,946,623	1,736,524

	Past due since the lieu / execution				
Asset	<1 period Euros '000	>=1 period and <2,5 periods Euros '000	>=2,5 periods and <5 periods Euros '000	>=5 periods Euros '000	Total Euros '000
Land					
Urban	239,535	92,106	98,244	268,555	698,440
Rural	5,613	1,194	1,348	2,029	10,184
Buildings in development					
Commercials	-	-	-	47,008	47,008
Others	638	-	-	59	697
Constructed buildings					
Commercials	25,087	85,399	83,349	75,521	269,356
Mortgage loans	230,370	159,819	86,569	72,437	549,195
Others	16,488	39,165	54,172	48,002	157,827
Others	-	-	-	3,817	3,817
Total	517,731	377,683	323,682	517,428	1,736,524

As at 31 December 2015, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

Asset	Number of properties	Fair value of the asset Euros '000	Book value Euros '000
Land			
Urban	1,786	593,281	561,480
Rural	258	62,447	54,967
Buildings in development			
Commercials	2	47,274	47,274
Others	2	993	993
Constructed buildings			
Commercials	1,699	266,157	232,450
Mortgage loans	5,027	579,474	499,347
Others	428	214,009	180,550
Others	146	6,584	6,584
Total	9,348	1,770,219	1,583,645

	Past due since the lieu / execution				
Asset	<1 period Euros '000	>=1 period and <2.5 periods Euros '000	>=2.5 periods and <5 periods Euros '000	>=5 periods Euros '000	Total Euros '000
Land					
Urban	168,101	62,322	83,156	247,901	561,480
Rural	31,800	8,023	4,356	10,788	54,967
Buildings in development					
Commercials	-	-	-	47,274	47,274
Others	909	-	-	84	993
Constructed buildings					
Commercials	41,605	80,013	70,165	40,667	232,450
Mortgage loans	192,586	140,930	79,595	86,236	499,347
Others	38,898	46,964	47,818	46,870	180,550
Others	2,908	-	-	3,676	6,584
Total	476,807	338,252	285,090	483,496	1,583,645

As at 30 June 2016, the following table includes the distribution of the loans portfolio by degrees of risk, attributable in Portugal and Poland:

	Segments					Euros '000
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
Higher quality						
1	-	1	-	-	-	1
2	2,275	21,812	3,785,154	319,133	-	4,128,374
3	3,406	83,536	2,590,227	113,295	385	2,790,849
4	52,854	1,409,012	4,986,631	246,071	18,072	6,712,640
5	111,118	1,616,820	3,017,833	647,011	333,819	5,726,601
6	367,184	2,262,841	1,983,088	480,282	12,929	5,106,324
Average quality						
7	246,182	1,763,542	1,488,283	499,588	101,800	4,099,395
8	250,033	2,330,252	965,835	352,748	12,893	3,911,761
9	520,476	1,559,216	793,782	279,948	152,114	3,305,536
Lower quality						
10	787,652	1,057,266	720,616	190,285	199,665	2,955,484
11	273,579	743,332	422,069	124,763	15,312	1,579,055
12	789,955	1,784,510	710,152	182,301	219,397	3,686,315
Procedural						
13	19,239	71,573	186,331	46,977	-	324,120
14	105,111	241,002	146,985	38,693	27,887	559,678
15	2,835,839	3,381,235	1,986,021	882,834	866,587	9,952,516
Not classified (without degree of risk)	332,138	1,869,632	141,791	23,588	37,821	2,404,970
Total	6,697,041	20,195,582	23,924,798	4,427,517	1,998,681	57,243,619

As at 31 December 2015, the following table includes the distribution of the loans portfolio by degrees of risk, attributable in Portugal and Poland:

	Segments					Euros '000
Degrees of risk	**Construction and CRE**	**Companies Other Activities**	**Mortgage loans**	**Individuals Others**	**Other loans**	**Total**
Higher quality						
2	2,871	16,966	3,796,497	305,545	20	4,121,899
3	3,041	81,159	2,616,440	101,680	3	2,802,323
4	46,606	791,398	5,172,137	234,454	660,609	6,905,204
5	118,767	1,895,814	3,120,401	625,254	6,024	5,766,260
6	409,550	2,238,598	2,018,454	471,872	36	5,138,510
Average quality						
7	226,511	1,796,178	1,547,503	475,442	16,258	4,061,892
8	296,472	2,139,309	987,988	368,608	-	3,792,377
9	893,478	2,105,388	820,300	272,764	81	4,092,011
Lower quality						
10	286,894	1,452,108	754,657	220,436	8	2,714,103
11	296,623	748,409	420,225	109,546	-	1,574,803
12	900,408	2,156,475	712,358	180,520	33	3,949,794
Procedural						
13	18,062	45,972	168,981	50,610	7,964	291,589
14	128,796	290,080	164,793	47,858	-	631,527
15	3,117,792	4,348,452	2,028,829	906,225	789	10,402,087
Not classified (without degree of risk)	337,387	1,932,553	118,704	199,975	4,505	2,593,124
Total	7,083,258	22,038,859	24,448,267	4,570,789	696,330	58,837,503

Market risk

For the monitoring and control of market risk existing in the different portfolios, the Group uses an integrated risk measure that includes the main types of market risks identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in the evaluation of generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by RiskMetrics. It is calculated considering a 10-working day time horizon and a unilateral statistical confidence interval of 99%. The estimation of the volatility associated to each risk factor in the model assumes an historical approach (equally weighted), with a one year observation period.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives, for which the performance is directly related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk: a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99%, and a standard measure for commodities risks.

These measures are included in the market risk indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis - for each portfolio of the areas having responsibilities in risk taking and management – and in consolidated terms, taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is adequate to evaluate the risks involved in the positions held, a back testing process has been established. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures, for the trading portfolio:

					Euros '000
	Jun 2016	**Average**	**Maximum**	**Minimum**	**Dec 2015**
Generic Risk (VaR)	4,706	4,198	6,518	2,339	3,013
Interest Rate Risk	1,948	1,733	1,979	1,733	1,663
FX Risk	3,735	3,696	6,218	1,584	2,421
Equity Risk	50	86	27	24	42
Diversification effects	*1,027*	*1,317*	*1,706*	*1,002*	*1,113*
Specific Risk	382	610	1,041	376	727
Non Linear Risk	97	78	769	4	104
Commodities Risk	17	14	47	11	13
Global Risk	5,202	4,900	8,375	2,730	3,857

The assessment of the interest rate risk originated by the banking portfolio's operations is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

This analysis considers the financial characteristics of the contracts available in information systems. Based on this data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval and for each of the currencies under analysis, allows to calculate the interest rate gap per repricing period.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

		Jun 2016		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	4,670	4,670	4,854	9,567
EUR	78,436	78,436	4,030	16,703
PLN	40,444	20,206	(18,686)	(35,991)
USD	(12,018)	(12,136)	13,473	26,466
TOTAL	111,532	91,176	3,671	16,745

		Dec 2015		Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	3,361	3,361	4,250	8,439
EUR	77,621	58,561	9,865	24,445
PLN	33,840	16,141	(15,076)	(29,171)
USD	(10,560)	(9,499)	9,151	18,063
TOTAL	104,262	68,564	8,190	21,776

Within the scope of market risk management policy, the Group minimizes the risk inherent in the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments and contracting foreign exchange derivatives in the market. As at 30 June 2016, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

Company	**Currency**	**Net Investment Currency '000**	**Hedging instruments Currency '000**	**Net Investment Euros '000**	**Hedging instruments Euros '000**
Banque Privée BCP (Suisse) S.A.	CHF	97,939	97,939	90,125	90,125
Millennium bcp Bank & Trust	USD	340,000	340,000	306,251	306,251
BCP Finance Bank, Ltd.	USD	561,000	561,000	505,314	505,314
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	45,604	45,604	41,077	41,077
Bank Millennium, S.A.	PLN	2,285,125	2,285,125	515,109	515,109

The information on the gains and losses on funding used to hedge the net investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

No ineffectiveness has been recognised as a result of the hedging operations, as referred in the accounting policy 1 e).

Liquidity risk

The assessment of the Group's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil their obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

During the first semester of 2016, the Bank proceeded to the amortization of medium-long term debt amounting to Euros 255,757,000, mainly through early redemption of senior liabilities and amortization of bank loans at maturity, and contracted new medium-long term bank loans totalling Euros 354.499.000.

The above mentioned developments, jointly with an increase of Euros 2,599,401,000 in the wholesale funding needs (mainly due to the increases of the portfolio of Portuguese sovereign debt and liquidity deposited in the Bank of Portugal), involved a change in its composition, namely the increases of Euros 2,113,980,000 in short-term transactions with financial institutions collateralized by securities, Euros 278,683,000 in medium-long term bank loans and Euros 217,490,000 in the gross collateralized borrowings with the European Central Bank (ECB), among other minor material variations.

As at 30 June 2016, the net balance funding with the ECB amounted to Euros 4,876,286,000, a decrease of Euros 426,107,000 facing its balance as at 31 December 2015.

The reduction of the net balance funding with the ECB, together with the decrease of Euros 1,190,460,000 shown by the portfolio of ECB eligible assets caused a decrease of Euros 764,353,000 in the liquidity buffer during the first semester of 2016, to Euros 7,875,474,000, which remained at a very comfortable level facing the minimum accepted by internal standards (Euros 3,000,000,000) .

During the first semester of 2016, the composition of the gross balance financed by the ECB showed an early redemption of a Euros 1,482,510,000 T LTRO, and the borrowing of a new one amounting to Euros 3,500,000,000, to which add up as at 30 June 2016 borrowings of Euros 1,250,000,000 and Euros 950,000,000 with 3 month and one week original maturities respectively, totalling a balance of Euros 5,700,000,000.

Up to 30 June 2016, the eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

	Jun 2016 Euros '000	Dec 2015 Euros '000
European Central Bank	11,395,727	11,955,411
Other Central Banks	2,655,088	2,561,391
	14,050,815	14,516,802

As at 30 June 2016, the amount discounted in the European Central Bank amounted to Euros 5,700,000,000 (31 December 2015: Euros 5,482,510,000). As at 30 June 2016 and 31 December 2015, no amounts were discounted in Other Central Banks.

The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the securities portfolio.

The evolution of the ECB’s Monetary Policy Pool and the corresponding collaterals used is analysed as follows:

				Euros '000
	Jun 16	Dec 15	Jun 15	Dec 14
Collateral eligible for ECB, after haircuts:				
The pool of ECB monetary policy (i)	11,395,727	11,955,411	12,349,060	12,175,997
Outside the pool of ECB monetary policy	1,356,032	1,986,808	2,170,036	1,981,402
	12,751,759	13,942,219	14,519,096	14,157,399
Net borrowing at the ECB (ii)	4,876,286	5,302,393	6,053,170	6,569,335
Liquidity buffer (iii)	7,875,473	8,639,826	8,465,926	7,588,064

(i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
(ii) Includes, as at 30 June 2016, the value of funding with the ECB net of deposits at the Bank of Portugal (Euros 861,368,000) and other liquidity of the Eurosystem (Euros 299,683,000), plus the minimum cash reserve (Euros 337,336,000) and the accrued interest (Euros 1,000).
(iii) Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

The main liquidity ratios of the Group, according to the definitions of the Instruction n.º 13/2009 of the Bank of Portugal, are as follows:

	Reference value	Jun 2016	Dec 2015
Accumulated net cash flows up to 1 period as %			
of total accounting liabilities	Not less than (- 6 %)	-7.9%	-4.1%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	4.3%	6.6%
Transformation Ratio (Credit / Deposits) (2)		101.7%	101.6%
Coverage ratio of Wholesale funding by HLA (1)			
(up to 1 Month)		305.4%	353.8%
(up to 3 Months)		260.7%	279.5%
(up to 1 period)		187.0%	238.2%

(1) HLA- Highly Liquid Assets.

(2) Transformation ratio computed according to the updated Regulation n. 16/2004 of the Bank of Portugal.

According to the Notice n.º28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and taking into account the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, with reference to 30 June 2016 and 31 December 2015, is presented as follows:

	Jun 2016			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	15,624,800	n/a	57,787,504	n/a
of which:				
Equity instruments	-	-	2,116,916	2,116,916
Debt securities	4,130,181	4,130,181	8,511,159	8,516,160
Other assets	-	n/a	8,018,045	n/a

	Dec 2015			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	12,072,341	n/a	63,192,569	n/a
of which:				
Equity instruments	-	-	2,313,431	2,313,431
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536
Other assets	-	n/a	8,012,360	n/a

	Fair value of encumbered collateral received or own debt securities issued		**Fair value of collateral received or own debt securities issued available for encumbrance**	
Collateral received	**Jun 2016 Euros '000**	**Dec 2015 Euros '000**	**Jun 2016 Euros '000**	**Dec 2015 Euros '000**
Collateral received by the reporting institution	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Other assets	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-	-	-

	Carrying amount of selected financial liabilities	
Encumbered assets, encumbered collateral received and matching liabilities	**Jun 2016 Euros '000**	**Dec 2015 Euros '000**
Matching liabilities, contingent liabilities and securities lent	11,642,304	9,023,274
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	15,162,620	11,825,051

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market. The funding raised from the IEB is collateralized by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 8,018,045,000 although unencumbered, are mostly related to the Group's activity, namely: investments in associates and subsidiaries, tangible fixed assets and investment property, intangible assets, assets associated with derivatives and deferred tax assets and current taxes.

The amounts presented in these tables correspond to the position as at 30 June 2016 and 31 December 2015 and reflect the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 30 June 2016 amounts to Euros 7,875,473,000. As at 31 December 2015, the amount was Euros 8,639,826,000.

Operational Risk

The approach to operational risk management is based on an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Group, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

52. Solvency

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the generic market risk and the standard method for the operational risk.

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's capitalisation process, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

	Jun 2016 Euros '000	Dec 2015 Euros '000
Common equity tier 1 (CET1)		
Ordinary share capital	4,094,235	4,094,235
Share Premium	16,471	16,471
Ordinary own shares	(3,497)	(1,187)
Other capital (State aid)	750,000	750,000
Reserves and retained earnings	(11,223)	450,818
Minority interests eligible to CET1	613,662	866,167
Regulatory adjustments to CET1	(740,298)	(401,744)
	4,719,350	5,774,760
Tier 1		
Capital Instruments	16,663	22,628
Minority interests eligible to AT1	-	2,945
Regulatory adjustments	(16,663)	(25,573)
	4,719,350	5,774,760
Tier 2		
Subordinated debt	465,507	517,792
Minority interests eligible to CET1	125,249	134,987
Others	(176,921)	(220,797)
	413,835	431,982
Total own funds	5,133,185	6,206,742
RWA - Risk weighted assets		
Credit risk	34,153,236	38,707,735
Market risk	1,063,264	1,136,442
Operational risk	2,953,886	3,239,684
CVA	244,804	231,559
	38,415,190	43,315,420
Capital ratios		
CET1	12.3%	13.3%
Tier 1	12.3%	13.3%
Tier 2	1.1%	1.0%
	13.4%	14.3%

As at 30 June 2016 the values already consider the impact of the amendment of Law No. 23/2016, 19 August.

53. Contingencies and commitments

1. The Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, “based on preliminary evidence of administrative offences foreseen in the Legal Framework for Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations”.

The proceedings continued and by a Decision issued on 9 June 2015, the Lisbon Court of Appeal partly approved the Bank's Appeal and declared that part of the offences of alleged provision of false information to the Bank of Portugal had reached a statute of limitation, thereby acquitting the Bank of the remaining offences (that did not reach the statute). It further acquitted the Bank of two alleged offences of falsifying accounting records. The Lisbon Court of Appeal confirmed the sentence of the Bank for two other alleged offences of falsifying accounting records. Therefore, the Lisbon Court of Appeal decreased the fine imposed to the Bank, from Euros 4,000,000 to Euros 750,000. The bank and one of the defendants (individual) appealed this Judgment to the Constitutional Court but these appeals were denied. The Judgment of the Lisbon Court of Appeal became definitive and final.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for a civil indemnity.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended 2-year prison sentences and to the payment of fines amounting to between Euros 300,000 and Euros 600,000 for the crime of market manipulation, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. In its decision dated of 25 February 2015, the Lisbon Court of Appeal confirmed in full the terms of the aforementioned sentence. According to the information available, the appellate court's final decision has not yet been delivered as final.

3. In December of 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, filed a lawsuit against the Bank for Euros 75,735,026.50 claiming (i) the acknowledgement that the loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) for the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt represented by a promissory note (held by the company) acting as security.

The Bank is convinced that, having in consideration the facts argued by the Plaintiff, the suit shall be deemed unfounded.

One of the creditors of the plaintiff requested its bankruptcy and the Bank claimed credits amounting to Euros 82,253,962.77. Thus, the proceedings mentioned above are suspended.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank’s premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties’ rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings nr. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings is suspended by decision made by the Competition Authority and will remain suspended until the making of a judicial decision withdrawing the suspension.

5. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements in CHF. Customers question a set of clauses notably on the bid-offer spread between PLN and CHF for conversion of credits. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank´s motion for a security deposit to secure litigation costs. On 6 April 2016 the Bank filed an appeal against this decision.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission.

On 3 December 2015 the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF - indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.79 millions) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. The Bank already contested demanding that the lawsuit be dismissed.

6. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 - debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence arguments and considers that, in view of the facts, there is a strong chance that the proceedings will be dismissed.

7. Resolution Fund

In accordance with Decree-Law No. 24/2013 which establishes the modus operandi of the Resolution Fund ('RF'), the Bank has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, the Bank made the initial contribution, pursuant to articles 2 to 8, and the periodical contributions, under articles 9 to 14 of the abovementioned Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of February 19th. The Bank is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., (‘BES’). Therefore, the eventual collection of a special contribution appears to be unlikely."

In the scope of the resolution process of BES, the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, SA), which result in liabilities or contingencies".

The RF stated on 7 July 2016 that it will analyze and assess the necessary procedures to be taken in the sequence of the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES as of 3 of august 2014, with potential impact on the RF’s responsibilities.

As at 30 of June 2016, the new procedure for the sale of the stake of the RF on Novo Banco was ongoing.

According to publicly available information, the volume of litigation associated with the BES resolution process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A..

The Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, SA ('BANIF'), in which the remaining unsold assets and liabilities were transferred to a special purpose vehicle (Oitante, S.A.) that, as of 30 of June 2016, was held by the RF. It is not clear which amount of losses the RF may incur with this process.

In accordance with article 153 of the Legal framework of credit institutions and financial companies the costs related to the financial support to the application of resolution measures decided by Banco de Portugal and the resulting general and administrative expenses due to the implementation of the resolution measures.

Accordingly, as at 30 June 2016, there is no estimate on the amount of potential losses to be incurred by the RF arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES, the resolution process of BANIF and related expenses and the way in which these losses are likely to affect the Bank, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, the Group had to make an initial contribution in the amount of Euros 31,364,000. In accordance with the Agreement on the transfer and mutualisation of contributions to the Single Resolution fund ('SRF') this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. Consequently, an equivalent amount will have to be transferred over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. During the first semester of 2016, the Group had to make a periodic contribution in the amount of Euros 21,222,000 to the European Resolution Fund as referred in note 8. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

54. Sovereign debt of European Union countries subject to bailout

As at 30 June 2016, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Jun 2016					
Issuer / Portfolio	**Book value Euros '000**	**Fair value Euros '000**	**Fair value reserves Euros '000**	**Average interest rate %**	**Average maturity periods**	**Fair value measurement levels**
Greece						
Financial assets held for trading	367	367	-	0.00%	-	1

As at 31 December 2015, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

	Dec 2015					
Issuer / Portfolio	**Book value Euros '000**	**Fair value Euros '000**	**Fair value reserves Euros '000**	**Average interest rate %**	**Average maturity periods**	**Fair value measurement levels**
Greece						
Financial assets held for trading	259	259	-	0.00%	-	1

55. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Funds and audited at year end.
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received as follows:

	Values associated to transfers of assets					
	Jun 2016			Dec 2015		
	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000
Fundo Recuperação Turismo FCR (a)	268,318	294,883	26,565	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	82,566	83,212	646	82,566	83,212	646
FLIT-PTREL (c)	399,900	383,821	(16,079)	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	200,105	235,656	35,551	200,105	235,656	35,551
Fundo Recuperação FCR (b)	243,062	232,267	(10,795)	242,972	232,173	(10,799)
Fundo Aquarius FCR (c)	124,723	132,635	7,912	124,723	132,635	7,912
Discovery Real Estate Fund (c)	152,155	138,187	(13,968)	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,653	109,599	(4,054)	113,633	109,567	(4,066)
	1,584,482	1,610,260	25,778	1,584,372	1,610,134	25,762

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 30 June 2016, the assets received under the scope of these operations are comprised of:

	Jun 2016					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	287,929	31,045	318,974	(40,451)	(31,045)	247,478
Fundo Reestruturação Empresarial FCR	83,628	-	83,628	(2,308)	-	81,320
FLIT-PTREL	297,383	41,094	338,477	(4,112)	(41,094)	293,271
Vallis Construction Sector Fund	201,140	35,441	236,581	(92,277)	(35,441)	108,863
Fundo Recuperação FCR	222,737	76,116	298,853	(76,292)	(76,116)	146,445
Fundo Aquarius FCR	136,111	-	136,111	(4,972)	-	131,139
Discovery Real Estate Fund	147,236	-	147,236	-	-	147,236
Fundo Vega FCR	46,427	65,317	111,744	-	(65,317)	46,427
	1,422,591	249,013	1,671,604	(220,412)	(249,013)	1,202,179

As at 31 December 2015, the assets received under the scope of these operations are comprised of:

	Dec 2015					
	Senior securities Euros '000	Junior securities Euros '000	Total Euros '000	Impairment for seniors Euros '000	Impairment for juniors Euros '000	Net value Euros '000
Fundo Recuperação Turismo FCR	287,929	30,808	318,737	(34,431)	(30,808)	253,498
Fundo Reestruturação Empresarial FCR	83,319	-	83,319	(1,214)	-	82,105
FLIT-PTREL	297,850	41,094	338,944	(2,862)	(41,094)	294,988
Vallis Construction Sector Fund	228,765	35,441	264,206	-	(35,441)	228,765
Fundo Recuperação FCR	222,737	75,130	297,867	(54,848)	(75,130)	167,889
Fundo Aquarius FCR	136,111	-	136,111	(1,944)	-	134,167
Discovery Real Estate Fund	145,624	-	145,624	(940)	-	144,684
Fundo Vega FCR	46,067	63,519	109,586	-	(63,518)	46,068
	1,448,402	245,992	1,694,394	(96,239)	(245,991)	1,352,164

The junior securities correspond to supplementary capital contributions in the amount of Euros 210,632,000 (31 December 2015: Euros 207,611,000) and Supplementary capital contributions in the amount of Euros 2,939,000 (31 December 2015: Euros 2,939,000), as referred in note 32 and Participation units in the amount of Euros 35,441,000 (31 December 2015: 35,441,000) as referred in note 23.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

As referred in note 13, the impairment for credit restructuring funds with impact on results, which occurred in the first semester of 2016 amounted to Euros 123,252,000.

56. Discontinued operations

Banco Comercial Português, S.A agreed to carry out a merger by incorporation of Banco Millennium Angola, SA with Banco Privado Atlântico, S.A, for that reason, that entity has been considered as a discontinued operation since 31 March 2016.

In this context, the Group restated the interim condensed consolidated financial statements and the interim condensed consolidated statement of comprehensive income for the period between 1 January and 30 June 2015, under the provisions of Reporting International Standard Financial 5 - Non-current assets held for sale and discontinued operations (IFRS 5). As at December 31, 2015, the total assets and liabilities of this subsidiary were recognized in the consolidated balance sheet in the respective lines while costs and income for the year with reference to June 2016 and 2015 were presented on a separated line named Income / (loss) from discontinued operations. After the completion of the merger, which occurred on April 30, 2016, the assets and liabilities of Banco Millennium Angola were derecognized from the balance sheet, and the interest held in Banco Millennium Atlântico, S.A. was registered as an associated company, as described in note 26.

This restatement resulted in changes in the way the contribution of the activity of Banco Millennium Angola, SA in the first semester of 2015 is presented in that statement, and had no impact on consolidated net income / (loss) neither on consolidated comprehensive income of the Bank for the six months ended 30 June 2015. In terms of the consolidated balance sheet, the relief from the assets and liabilities has not been changed.

As provided in point a) of IFRS 5 paragraph 33, the net cash flow attributable to operating activities, investing and financing activities of discontinued operations should be disclosed not being however mandatory for groups of assets held for sale that are newly acquired subsidiaries that meet the criteria for classification as held for sale on acquisition.

Following the completion of the merger, the Group has no longer the control over the Banco Millennium Angola, and now holds significant influence over the new entity, Banco Millennium Atlântico S.A., of 22.5% of its share capital. In this context, the Group valued its investment in the associated company Banco Millennium Atlântico, S.A at fair value.

The fair value of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted to reflect the change in the local currency rate versus the Euro between the end of 2015 and the date of opening balance, and the difference between the estimate of the combined Net Asset Value (which was based on the information available at the date of the fair value estimation) and the corresponding estimate in the Business Plan underlying the merger projection. Additionally, the discretionary adjustment considered at the end of 2015 was kept, although to a lesser extent (-10% instead of -30%), in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main effects are recognized in the consolidated financial statements associated to this operation were as follows:
- Positive impact on net income /(loss) for the period of Euros 7,328,000
- Positive impact on equity, excluding net income /(loss) for the period, amounting to Euros 76,835,000, following the valuation at fair value of the shareholding in the new entity.

The negative foreign exchange reserves of Euros 78,554,000 was annulled and recorded in Net income /(loss) for the period, not implying net impact on equity.

After 30 April 2016, has been applied the equity method to the shareholding held in Banco Millennium Atlântico, S.A. and the contribution to the consolidated net income /(loss) for the period of the Group and to the equity, excluding results from 1 May 2016, amounted to Euros 2,953,000 and Euros 3,060,000, respectively.

As at 30 June 2016, shareholding held in Banco Millennium Atlântico, S.A amounts to Euros 211,153,000, including Euros 100,747,000 related to goodwill.

The balance as at 31 December 2015 of Banco Millennium Angola, S.A is as follows:

	Dec 2015
	Euros '000
Cash and deposits at Central Banks and credit institutions	547,806
Loans and advances to credit institutions	44,676
Loans and advances to customers	947,863
Securities and trading derivatives	610,410
Other assets	192,909
Total assets	2,343,664
Deposits from other credit institutions	215,637
Deposits from customers	1,691,726
Financial liabilities held for trading	133
Provisions	3,408
Other liabilities	96,969
Total Liabilities	2,007,873
Share capital	27,202
Share premium	48,372
Reserves and retained earnings	260,217
Total Equity	335,791
Total Equity and liabilities	2,343,664

The main items of the income statement, related to this discontinued operation, are analysed as follows:

	Jun 2016		
	Banco Millennium Angola	**Others**	**Total**
	Euros '000	**Euros '000**	**Euros '000**
Net interest income	37,690	-	37,690
Net fees and commissions income	8,777	-	8,777
Net gains on trading	26,962	-	26,962
Other operating income	(328)	(533)	(861)
Total operating income	73,101	(533)	72,568
Staff costs	12,020	-	12,020
Other administrative costs	11,129	(533)	10,596
Depreciation	3,009	-	3,009
Total operating expense	26,158	(533)	25,625
Loans and other assets impairment and other provisions	(5,023)	-	(5,023)
Net operating income / (loss)	41,920	-	41,920
Net gain from the sale of subsidiaries and other assets	14	-	14
Net income / (loss) before income tax	41,934	-	41,934
Income tax	(5,128)	-	(5,128)
Net income /(loss) for the period (note 17)	36,806	-	36,806

	Jun 2015		
	Banco Millennium Angola	**Others**	**Total**
	Euros '000	**Euros '000**	**Euros '000**
Net interest income	56,538	-	56,538
Net fees and commissions income	14,538	-	14,538
Net gains on trading	31,782	-	31,782
Other operating income	91	(1,135)	(1,044)
Total operating income	102,949	(1,135)	101,814
Staff costs	20,306	-	20,306
Other administrative costs	19,240	(1,135)	18,105
Depreciation	5,608	-	5,608
Total operating expense	45,154	(1,135)	44,019
Loans and other assets impairment and other provisions	(11,554)	-	(11,554)
Net operating income / (loss)	46,241	-	46,241
Net gain from the sale of subsidiaries and other assets	282	-	282
Net income / (loss) before income tax	46,523	-	46,523
Income tax	(8,339)	-	(8,339)
Net income /(loss) for the period (note 17)	38,184	-	38,184

57. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 June 2016 the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	–
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,301	EUR	Financial	100.0	34.1	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	51,180,870	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
Bitalpart, B.V.	Amsterdam	19,370	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital - Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
Enerparcela - Empreendimentos Imobiliários, S.A.	Oeiras	37,200,000	EUR	Real-estate management	100.0	100.0	–
Interfundos - Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamora - Investimentos Imobiliários, S.A.	Oeiras	11,337,399	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.7	93.5	83.2
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
MBCP REO II, LLC	Delaware	2,747,869	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
MULTI 24 - Sociedade Imobiliária, SA	Lisbon	44,919,000	EUR	Real-estate management	100.0	100.0	–
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda	Lisbon	5,000	EUR	Real-estate company	52.7	52.7	52.7
QPR Investimentos, S.A. (*)	Oeiras	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Setelote - Aldeamentos Turísticos S.A. (*)	Cascais	200,000	EUR	Tourism	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	50.1	–
Irgossai - Urbanização e construção, S.A. (*)	Oeiras	50,000	EUR	Construction and sale of real estate projects	100.0	100.0	100.0
Imábida - Imobiliária da Arrábida, S.A. (*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0

(*) - Companies classified as non-current assets held for sale.

As at 30 June 2016 the BCP Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

As at 30 June 2016 the investment funds included in the consolidated accounts as referred in the accounting policy presented in note 1 b) were as follows:

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Lisboa	11,718,513	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	155,507,815	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	298,954,900	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	1,866,709,500	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	1,832,593,200	EUR	Real estate investment fund	100.0	100.0	100.0

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Fechado Gestimo	Oporto	11,589,155	EUR	Real estate investment fund	100.0	100.0	100.0
M Inovação - Fundo de Capital de Risco BCP Capital	Lisboa	2,425,000	EUR	Investment fund	60.6	60.6	60.6
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	92,950,000	EUR	Investment fund	100.0	100.0	100.0
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	25,479,000	EUR	Real estate investment fund	100.0	100.0	100.0
Imoport - Fundo de Investimento Imobiliário Fechado	Oeiras	21,504,486,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	132,167,700	EUR	Real estate investment fund	100.0	100.0	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado.	Oeiras	11,945,000	EUR	Real estate investment fund	100.0	100.0	100.0

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 30 June 2016 the Group's associated companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603	AOA	Banking	22.5	22.5	–
Banque BCP, S.A.S.	Paris	120,748,063	EUR	Banking	19.9	19.9	19.9
Banque BCP, S.A. (**)	Luxembourg	22,250,000	EUR	Banking	3.6	3.6	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. (**)	Luanda	100,000,196	USD	Services	10.0	10.0	–
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Imbondeiro Development Corporation	George Town	5,000	USD	Financial services	39.0	39.0	–
Luanda Waterfront Corporation (**)	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–

(**) Given the nature of the Group's involvement, the Board of Directors believes that the Group maintains a significant influence on these companies.

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda	Funchal	1,870,492	EUR	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	22.7	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0	25.0	25.0
UNICRE - Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7

As at 30 June 2016 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

As at 30 June 2016, the associated company Millenniumbcp Ageas Grupo Segurador, SGPS, SA holds 652,087,518 BCP shares in the amount of Euros 11,868,000.

58. Subsequent events

Investment proposal received from Fosun Industrial Holdings Limited

Banco Comercial Português, S.A. ("BCP") informs that it has received on 30 July 2016, a letter from Fosun Industrial Holdings Limited ("Fosun"), containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. Fosun proposes to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "Reserved Capital Increase"). Fosun is also considering increasing its stake through secondary market acquisitions or in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

Pursuant to proposal received, the execution of Fosun's investment would be subject to the satisfaction of a number of conditions, including:

- Approval by the banking supervising entity of the acquisition of a qualifying holding by Fosun and completion of meetings and/or discussions with the European Commission;

- Clarification from competent authorities as to no need for a special contribution to and no immediate accounting recognition of potential future contributions to the national Resolution Fund;

- Implementation and registration of the reverse stock split process as approved by the general assembly on 21 April;

- The subscription price in the Reserved Capital Increase not exceeding Euros 0.02 (with the adjustment resulting from the reverse stock split);

- Approval by the Board of Directors of a proposal to be submitted to the General Assembly in order to increase to 30% the limit to vote counting provided in the by-laws of BCP;

- Approval by the Board of Directors, on the date of subscription and settlement of the Reserved Capital Increase, of the co-optation of at least two new members appointed by Fosun to the Board of Directors, who would also be members of the Executive Committee, with the possibility of the Board of Directors co-opting up to a total of at least 5 new members appointed by Fosun to the Board of Directors, in the context of, and in proportion to, the increase in Fosun's shareholding in BCP;

- The absence of any material adverse change situations affecting BCP or the proposed transaction.

Recognizing the potential strategic interest of the proposal made by an international investor with Fosun's profile and with a significant presence in the Portuguese market – characteristics capable of contributing a potential for cooperation and sector and geographical development – BCP's Executive Committee decided, in accordance with their fiduciary duties, to swiftly proceed with a careful analysis of the proposal, considering the many positive aspects of the proposed operation, in order to make a decision on opening negotiations and presenting a recommendation to the Board of Directors, as soon as possible.

It is further clarified that the above cannot be understood as a guarantee that the proposed transaction will be effected or as meaning that any decision has been taken on it.

Declaration of Compliance

Millennium
bcp

Executive Committee

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the interim condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the interim condensed individual and consolidated balance sheets as at 30 June 2016, (ii) the interim condensed individual and consolidated income statements for the six months ended on 30 June 2016, (iii) the interim condensed individual and consolidated statement of changes in equity and cash flow statement for the six months ended on 30 June 2016, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 30 June 2016, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the six months ended on that date, in accordance to the International Accounting Standard 34 - Interim Financial Reporting (IAS 34), endorsed by the European Union.

At the Board Meeting of March 1, 2012, the Board of Directors, except for the annual report and accounts, has delegated to the Executive Board the approval of all the other financial statements, having such delegation been renew September 11, 2015.

The Bank's interim condensed individual and consolidated financial statements relative to 30 June 2016 were approved by the Board of Directors on 29 August 2016.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 29 August 2016.

Porto Salvo, 29 August 2016

Nuno Manuel da Silva Amado
(Chairman)

Miguel de Campos Pereira de Bragança
(Vice-Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

José Jacinto Iglésias Soares
(Member)

Maria da Conceição Mota Soares de Oliveira Callé Lucas
(Member)

Rui Manuel da Silva Teixeira
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

New Share Capital 4.094.235.361,88 Euros

External Auditors' Report

LIMITED REVIEW REPORT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. and subsidiaries (the Bank) for the six month period ended 30 June 2016, which comprises the condensed consolidated balance sheet as of 30 June 2016 that presents a total of 73,067,533 t.euros and total consolidated shareholders' equity of 5,013,645 t.euros, including a consolidated net loss attributable to the shareholders of the Bank of 197,251 t.euros, the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and a selected set of notes to the condensed financial statements.

Board of Directors' Responsibilities

The Board of Directors of the Bank is responsible for the preparation of interim condensed consolidated financial statements of the Bank in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as endorsed by the European Union, and for the design and maintenance of appropriate systems of internal control in order to permit the preparation of condensed financial statements exempt of material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements based on our limited review. Our work was performed in accordance with ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and the applicable technical and ethical standards and guidelines of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that our work be performed in order to conclude as to whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared in all material respects in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed by the European Union.

A limited review is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained. A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. and subsidiaries for the six month period ended 30 June 2016 were not prepared in all material respects in accordance with International Accounting Standard 34 – Interim Financial Reporting as endorsed by the European Union.

Emphases

As described in Note 48, at 30 June 2016 the Bank used a discount rate of 2.5% to measure its liability for defined benefits pension plans of its employees and directors, equivalent to that used in its accounts as of 31 December 2015. The Bank will reassess the suitability of this financial assumption until the end of the year, due to the decrease that has occurred in the level of market interest rates for the settlement period of that liability. A decrease in the discount rate used to measure the pension liability implies a decrease in the Bank's shareholders' equity, as disclosed in Note 48.

The consolidated balance sheet as of 31 December 2015, interim consolidated statements of income and comprehensive income (restated - Note 56) and interim consolidated statements of changes in equity and cash flows for the six month period ended 30 June 2015 are presented to comply with the requirements for publication of accounts. The statutory consolidated financial statements of the Bank for the year ended 31 December 2015 and for the six month period ended 30 June 2015 were audited / reviewed by other Statutory Auditors, whose Legal Certification of Accounts on the accounts as of 31 December 2015, dated 28 March 2016, and Limited Review Report on the accounts as of 30 June 2015, dated 31 August 2015, did not include qualifications or emphases. We were appointed Statutory Auditors ("Revisor Oficial de Contas") of the Bank on 21 April 2016, with effect as from 5 May 2016, and the scope of the work performed for the purpose of issuing this Limited Review Report corresponds only to the procedures described in the Auditor's Responsibilities section of this report. Up to the date of this Limited Review Report, we have not performed any audit of the consolidated financial statements of the Bank, which is expected to be conducted with reference to 31 December 2016.

Our conclusion is not modified in respect of these matters.

Lisbon, 23 September 2016

Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Annual Report for the first half of 2016

www.millenniumbcp.pt

Banco Comercial Português, S.A.,
Public Company

Head Office:
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Share Capital:
4,094,235,361.88 Euros

Registered at
Porto Commercial Registry
under the Single Registration and
Tax Identification number 501 525 882

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