This document is a translation from the Portuguese original "Relatório e Contas Banco BPI 1.º semestre de 2019". In the event of any inconsistency the Portuguese version shall prevail.

BANCO BPI

1st half 2019

Registered office: Rua Tenente Valadim, n.º 284, Porto
Share Capital: 1 293 063 324.98 euros
Registered in the Commercial Registry Office of Porto,
with corporate registration number PTIRNMJ 501 214 534 and tax number 501 214 534

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Key performance indicators

(Consolidated amounts in € million, except where otherwise stated)

Results and profitability	1st half 18	1st half 19
Net profit	366.1	134.5
Activity in Portugal	222.5	86.9
Contribution of equity holdings in BFA and BCI	143.5	47.6
Net profit per share (euros)	0.251	0.092
Weighted average no. of shares (in million)	1 456.8	1 456.9
Return on assets (ROA) (last 12 months)	1.5%	0.8%
Return on tangible equity (ROTE)[1] (last 12 months)	17.3%	8.2%
Recurrent ROTE in Portugal[1] (last 12 months)	8.8%	7.7%

Balance sheet, liquidity, risk management and capital	Dec.18	Jun.19
Total assets (net)	31 568	31 669
Loans to customers (gross)	23 487	23 823
Deposits[2)]	22 052	22 920
Total customer resources	33 195	34 100
Loan to deposit ratio	100%	97%
Liquidity coverage ratio	167%	167%
NPE ratio (EBA criteria)	3.5%	3.3%
NPE (EBA criteria) coverage by impairments and collaterals[3)]	127%	126%
Total past service liabilities	1 639	1 796
Coverage ratio of Employee pension liabilities [4)]	99%	96%
Shareholders' equity attributable to BPI shareholders	3 206	3 162
CRD IV / CRR fully implemented		
Common Equity Tier I ratio	13.8%	13.1% [(5)]
Total capital ratio	15.5%	14.9% [(5)]
Leverage ratio	7.3%	7.1% [(5)]
Book value per share (euros)	2.200	2.170
Distribution network in Portugal (no. units)	495	486
BPI Group headcount (no. employees) [6]	4 888	4 830

1) In the calculation of ROTE, the average balance of intangible assets (average consolidated balance in the 12 months to June 2019: €49 million) and Unicre and BCI goodwill (average consolidated balance in the 12 months to June 2019: €13 million) are deducted from the average capital considered.

2) Includes retail bonds of €18 million in Dec.18 and €10 million in Jun.19.

3) Coverage loan and guarantee impairment allowances accumulated on the balance sheet, and collaterals associated with these loans.

4) The pension funds' amount on 31 Dec.18 includes €5.5 million of contributions transferred to the Employees' pension funds at the start of 2019.

5) Fully loaded capital ratios excluding the 1st half 2019 net income. The proforma ratios including the 1st half 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend distribution policy were: proforma CET 1 ratio of 13.5%, proforma total capital ratio of 15.2% and proforma leverage ratio of 7.3%.

6) Excludes temporary work of persons with no employment contracts with BPI.

Summary of 1st half 2019 results

Banco BPI reported a consolidated net profit of €134.5 million in the 1st half of 2019. Return on consolidated tangible equity (ROTE) was 8.2% in the 12 months to June 2019.

The comparison with the consolidated net profit of the 1st half of 2018, in the amount of €366.1 million, it should be taken into account the non-recurring positive impacts in the activity in Portugal in the period (+€118 million, essentially gains on the sale of equity holdings), which were not repeated in 2019, and also the change in the accounting classification of BFA at the end of 2018, as a result of which the consolidated net profit reflects BFA dividends, whereas before it reflected the appropriation of BFA's net income by the equity method.

The activity in Portugal contributed with €86.9 million to the consolidated net profit in the 1st half of 2019. Excluding the non-recurring impacts in the 1st half of 2018 (comparable basis), net income from the activity in Portugal dropped by 16.6%, essentially as a result of losses on the revaluation of recovery funds, the reduction in gains from financial operations with Clients and the impact on the income basis of the sale of subsidiaries and businesses. Net interest income was up by 3.7% yoy while fees and commissions increased by 9.1% yoy, on a comparable basis.

Recurring return on tangible equity (ROTE) from the activity in Portugal reached 7.7% (in the last 12 months).

The equity holdings in the African banks contributed with €47.6 million to the 1st half of 2019 consolidated net profit: BFA with €38.1 million (reflects BFA dividends attributed to BPI relative to the 2018 financial year) and BCI with €9.5 million (+34% yoy).

Strong commercial performance in Portugal underpinned an expansion in both loans to customers and customer resources. customer deposits increased by 5.1% ytd (+€1 084 million) while total customer resources, including off-balance sheet resources, were up by 2.7% ytd. The total loans to customers portfolio grew by 1.4% ytd in the 1st half of 2019 (+€336 million), with the corporate loans portfolio rising by 1.5% ytd and 6.8% yoy, driving up the segment's market share to 10%, and the personal loans portfolio increasing by 7.5% ytd.

Banco BPI reports low non-performing loan levels, with its loan portfolio quality indicators continuing to show steady improvements. The NPE ratio ("non-performing exposure", under the EBA criteria) stood at 3.3% at the end of June 2019 (-0.2 p.p. ytd). The coverage of NPE by impairments and collaterals associated to credit operations was 126% at the end of June 2019.

BPI has a well-balanced balance sheet funding structure and maintains a strong liquidity position. The loan to deposit ratio was 97% and the Liquidity Coverage Ratio (LCR) reached 167%.

The Bank shows a sound capitalisation. At 30 June 2019, the fully loaded capital ratios (without including the 1st half 2019 net income) were 13.1% for the CET1 ratio and 14.9% for the total capital ratio.

Including the 1st half 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend distribution policy, the proforma CET 1 ratio was 13.5% and the proforma total capital ratio was 15.2%.

Governing Bodies

At 30 June 2019

Remuneration Committee

Chairman
Abel Suárez Busquets
Members
Carlos Moreira da Silva
Xavier Coll Escursell
Alternates
Armand Reixach de Linares

Nomination, Evaluation and Remuneration Committee

Chairman
Tomás Jervell
Members
António José Cabral
Lluís Vendrell
Natividad Capella

Social Responsibility Committee

Chairman
Artur Santos Silva
Members
Rafael Chueca
José Pena do Amaral
Isabel Jonet
António Barreto

Risk Committee

Chairman
Javier Pano
Members
António José Cabral
Cristina Rios Amorim

Board of the General Meeting

Chairman
Carlos Osório de Castro
Deputy-Chairman
Agostinho Cardoso Guedes
Secretaries
Alexandra Magalhães
Luís Manuel Amorim

Board of Directors

Chairman
Fernando Ulrich
Deputy-Chairmen
Pablo Forero
António Lobo Xavier
Members
Alexandre Lucena e Vale
António Farinha Morais
António José Cabral
Cristina Rios Amorim
Fátima Barros
Francisco Barbeira
Gonzalo Gortázar Rotaeche
Ignacio Alvarez-Rendueles
Javier Pano Riera
João Pedro Oliveira e Costa
José Pena do Amaral
Lluís Vendrell
Natividad Capella
Pedro Barreto
Tomás Jervell

Executive Committee of the Board of Directors

Chairman
Pablo Forero
Members
Alexandre Lucena e Vale
António Farinha Morais
Francisco Barbeira
Ignacio Alvarez-Rendueles
João Pedro Oliveira e Costa
José Pena do Amaral
Pedro Barreto

Supervisory Board

Chairman
Manuel Ramos Sebastião
Members
Elsa Roncon
Ricardo Frias Pinheiro
Rui Campos Guimarães
Alternate members
Manuel Correia de Pinho
Luis Roque de Pinho Patrício

Statutory Auditor

Member in Office
PricewaterhouseCoopers & Associados, SROC, Lda., represented by José Manuel Bernardo
Alternate
Ana Maria Ávila de Oliveira Lopes Bertão

Audit and Internal Control Committee

Chairman
António Lobo Xavier
Members
Alfredo Rezende de Almeida
Fátima Barros
Lluís Vendrell

Company Secretary

Member in office
João Avides Moreira
Alternate
Miguel Pessanha Moreira

Financial structure and business model

BPI focuses on the commercial banking business in Portugal, offering a broad range of services and financial products to corporate, institutional and individual customers. BPI is part of the CaixaBank Group, which since the end of 2018 holds the entire share capital of BPI.

BPI is the fifth largest financial institution operating in Portugal in terms of assets (€31.7 billion), with market shares of 10% in loans and customer deposits.

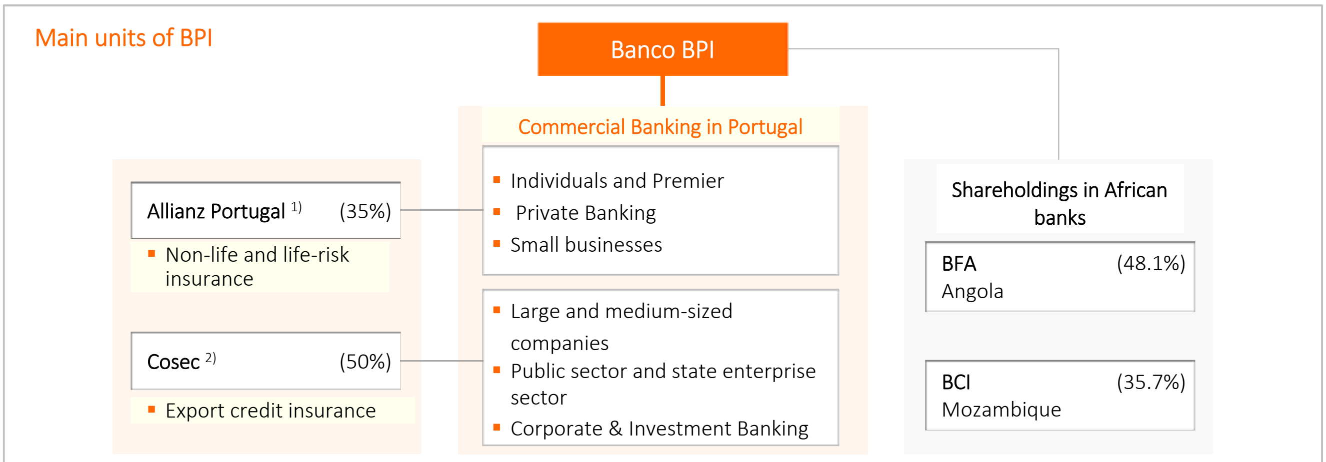
With the aim of improving and expanding over the medium and long term the commercial offer to BPI's clients, create synergies with the CaixaBank Group, and allow BPI to concentrate on the core banking activity, a set of subsidiaries and businesses were sold to CaixaBank in 2017 and 2018: asset management (BPI Vida e Pensões, BPI Gestão de Activos, and BPI Global Investment Fund), the acquiring and cards businesses, and the investment banking business (equities and corporate finance).

In the context of this business reorganisation within the CaixaBank Group, BPI continues to offer those products and services to its Clients and to ensure the relationship with the Clients, acting as agent.

In non-life and life-risk insurance, BPI has a joint venture with Allianz, reflected in BPI's stake in Allianz Portugal (35%) and in an insurance distribution agreement using the Bank's commercial network. The life-risk insurance distribution agreement terminates at the end of 2019, after which the Bank will maintain the contractual relationship with clients holding Allianz Portugal life-risk insurance policies outstanding on that date. With regard to non-life insurance, the Bank will maintain the partnership with Allianz for the sale of these products.

In credit insurance, BPI holds a 50% stake in Cosec in partnership with Euler Hermes (a company of the Allianz Group), which holds the remaining 50%.

BPI holds financial investments in two African banks: a 48.1% stake in Banco de Fomento Angola (BFA), which operates in commercial banking in Angola, and a 35.7% stake in Banco Comercial e de Investimentos (BCI), which operates in commercial banking in Mozambique.



1) In partnership with Allianz, which holds 65% of the share capital. | 2) In partnership with Euler Hermes, a company of the Allianz Group.

ESTABLISHMENT OF CAIXABANK INVESTMENT BANKING BRANCH IN PORTUGAL

Following the agreement to sell Banco Português de Investimento's investment banking businesses - equities and corporate finance - to CaixaBank, announced in November 2017, a Branch of CaixaBank was set up in Portugal, to which these investment banking businesses and the related assets and employees were transferred. This Branch started to operate in January 2019.

In July 2019, Banco BPI concluded the merger by incorporation of Banco Português de Investimento and BPI Private Equity into Banco BPI, with the consequent extinction of these two companies. The aim of these mergers by incorporation and legal extinction of the referred companies was to simplify the structure of BPI group.

BPI serves 1.9 million customers in the domestic market, having relevant market shares in the various products and services offered.

The business model is based on the provision of a complete range of financial products and services, structured to meet the specific needs of each segment - Individuals, Companies, and the Public Sector and State Enterprise Sector - through a specialist, omnichannel and fully integrated distribution network.

The distribution network comprises 486 business units, namely 412 retail branches, 1 mobile branch, 37 Premier centres, and 36 specialist branches and units serving corporate and institutional customers (including 3 Corporate and Investment Banking centres).

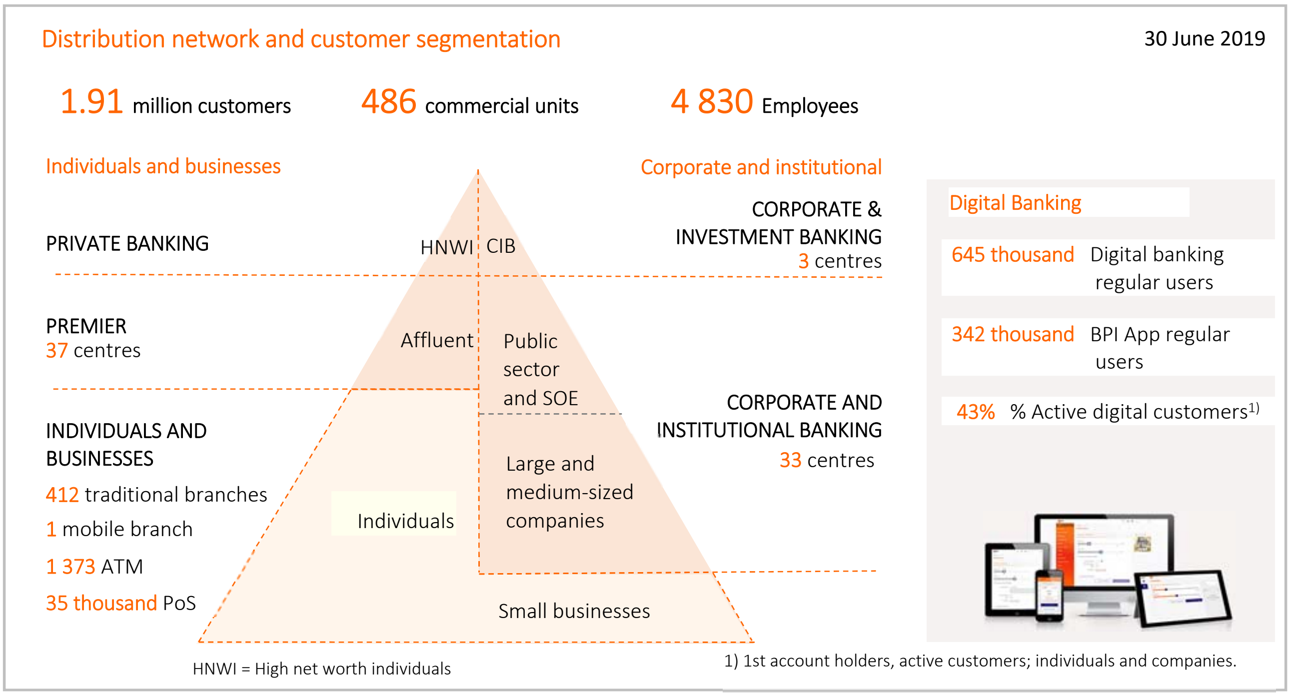
The network articulates with the virtual channels, which include homebanking services (BPI Net and BPI Net Empresas), telephone banking (BPI Directo) and mobile applications (BPI Apps), thus ensuring banking services coverage of all Clients.

The total number of regular users of BPI’s digital banking services increased by 7% yoy, to 645 thousand. The number of BPI App's regular mobile users soared by 37% yoy, to 342 thousand Clients.

The Bank is market leader in homebanking penetration in the individual customers segment, according to BASEF data (May 2019). 43% of the Bank's customers are active digital clients.

Market shares

	30 Jun. 19
Loans	10.2%
Corporate loans	10.0%
Mortgage loans	11.5%
Personal loans (origination in 1st half 2019)	13.6%
Deposits	10.2%
Mutual Funds	13.9%
Retirement savings plans	10.9%
Capitalisation insurance	15.5%
Life insurance (written premiums)	12.3%
Non-life insurance (written premiums)	10.6%
ATMs	11.9%
POS	10.2%
Debit cards	9.6%
Credit cards	9.0%



Background to operations

GLOBAL AND EUROPEAN ECONOMY

The world economy weakened in the first half of 2019, largely reflecting the effect of the US-China trade tensions. The International Monetary Fund (IMF) estimates that the world economy will advance by 3.2% in 2019, accelerating to 3.5% in 2020, driven by the growth of the emerging economies (from 4.1% in 2019 to 4.7% in 2020). Latin America's growth should pick up from 0.6% in 2019 to 2.3% in 2020. China, in turn, is expected to slow down from 6.2% in 2019 to 6.0% in 2020, due to the impact of the increase in trade tariffs. On the other hand, the IMF reckons that the advanced economies will grow by 1.9% in 2019 and 1.7% in 2020, reflecting the US slackening pace of expansion, from 2.6% in 2019 to 1.9% in 2020. The Eurozone should register moderate growth: 1.3% in 2019 and 1.6% in 2020. Risks remain skewed to the downside, and linked to the persistence of factors of uncertainty and lingering trade tensions.

Monetary policy (again) more accommodative

In an environment of dwindling economic activity, persistent downside risks to growth and subdued inflationary pressures, the main central banks have adopted more accommodative postures. The Federal Reserve reduced the fed-fund rate range by 25 bps in July and September, to 1.75-2.00%, leaving open the possibility of further adjustments in the future.

The ECB also adopted a more accommodative posture, lowering the deposit facility rate by 10 bps, to -0.50%, and introducing a tiering system where only part of the funds deposited with the monetary authority (in surplus reserves) will be remunerated at this rate (the remainder being remunerated at zero percent); it also announced a new long-term asset purchase programme, to be started in November, and voiced its intention to maintain interest rates at low levels until it has seen convincing signs that the inflation outlook is converging towards the target level. Based on the current scenario for inflation, policy rates will remain at the current levels at least until the end of 2021.

PORTUGUESE ECONOMY

In the first half of 2019, the Portuguese economy grew by 1.8%, a slowdown compared to the growth rates above 2.0% seen in recent years, but still a robust performance in terms of historical behaviour. In the first half of the year growth was driven by domestic demand, with investment showing a particularly good performance, standing as a growth prop for the medium term. The contribution of external demand was negative, translating both the slowdown of exports, in line with the cooling down of global demand, and also the strong expansion of imports, largely reflecting the increase in investment, which incorporates a high content of imported goods.

The labour market performed well, albeit at a slower place, with the rate of unemployment trending towards historically low levels. At the end of the first half of the year the unemployment rate stood at 6.3% (-0.4 p.p. relative to 2018), while employment increased on average by 1.2% yoy.

In the first half of 2019 the trade deficit in goods increased to €10.3 billion (+€2.6 billion yoy). This performance reflects a 9.3% increase in imports, driven by capital goods and transport material (aircraft purchases by TAP). Exports, in turn, grew by 2.9% only, reflecting the deceleration of global demand. The deterioration in the trade deficit in goods was in part offset by the surplus in the balance of services, which, however, was not sufficient to prevent the current balance from returning to negative ground. This imbalance will likely persist until the end of the year, given the deterioration in global growth prospects, and in particular in demand targeting the Portuguese economy (notably from the Eurozone), and the idiosyncratic factors affecting some of the important partners for the national economy (in particular Angola and Brazil).

On the public accounts front, a general government balance (cash basis) of -€536 million at the end of the first half of the year (corresponding to -0.5% of GDP) translates an improvement of €2.1 billion yoy. This improvement stemmed from a substantial increase in revenue (+7.2%), in particular tax and contributory revenue (+6.9%).

Expenditure growth, in turn, was contained (1.5%), thanks to the reduction in interest paid and low investment execution. As to the public debt, the debt-to-GDP ratio dropped to 122.2% in the first half of the year, down by 1.4 p.p. relative to the end of 2018[1].

For the 2019 full year, the Treasury plans to issue €16.4 billion of medium- and long-term debt. Up to September it had issued €12.2 billion, corresponding to 74% of the scheduled total issuance in the year and covering approximately 55% of the needs in 2019. The cost of medium- and long-term debt issuance was 1.36%, and the average maturity of the issues was 11.7 years.

Outlook for 2019

The European Commission estimates that the pace of expansion of the Portuguese economy will slow to 1.7% in 2019, reflecting a lower contribution of external demand and the deceleration of private consumption. On the other hand, investment is expected to pick up, boosted by European funds. In this scenario the labour market should remain positive, with an expected rate of unemployment of 6.5% in 2019.

Concerning the public accounts, the Government estimates a budget deficit of 0.2% of GDP, benefiting from the continuation of a favourable economic and financial background, along with other factors, such as the payment of dividends by the Bank of Portugal and Caixa Geral de Depósitos.

On the other hand, the Current and Capital Account surplus is expected to shrink, reflecting the deterioration of the trade deficit. Despite this deterioration, certain factors that suggest that this could be a contained movement, as it reflects the expansion of investment, with a potential positive impact on growth in the medium term.

Financial system

The private sector pursued the deleveraging process. According to the Eurostat, the debt of non-financial private companies represented in the 1st quarter 100.0% of GDP, which compares with a peak of 141.4% in March 2013; for private individuals, this ratio was 66.2%, down by 25.9 p.p. from the high registered in the 4th quarter of 2009.

The loan to deposit ratio fell to 87.7% in the 1st quarter, down by 4.7 p.p. yoy, and by -72.8 p.p. on the 1st quarter of 2008, when it had reached a peak of 160.5%. The CET 1 ratio closed the 1st quarter at 13.8%, having risen by 0.3 p.p. on a year earlier. In turn, the non-performing loans ratio in the non-financial private sector dropped to 9.9%, which is 3.9 p.p less than in the 1st quarter of 2018 and 8.6 p.p. below the peak reached in the 2nd quarter of 2016.

Loans

In June 2019 the stock of credit to the non-financial private sector had contracted by 1.3% yoy. In the households segment, the residential mortgage loan portfolio contracted by 1.4%, as the growth of new production was not sufficient to match the pace of amortisations; consumer loans, in turn, grew by 8.2%. Both segments show a slackening pace of new loan production compared to 2018, in part reflecting the macroprudential measures implemented in July 2018. The loan portfolio to non-financial companies contracted by 2.4%, which is explained by the sale of non-performing loan portfolios. Without this effect, the loan portfolio would have increased by 2.6%. In 2019, it is expected that the balance sheet clean-up and the macroprudential measures in place will continue to restrain activity in the credit market.

Deposits

The deposits of the non-financial private sector increased by 4.2% yoy in June, with sight deposits growing by 12.7% and time deposits decreasing by 2.6%.

FINANCIAL MARKETS

In the interbank market, the Euribor rates hit new lows in the 1st half of 2019, reflecting the outlook for a more accommodative monetary policy. The 3- and 12-month Euribor closed the semester at -0.345% and -0.214%, respectively. In the US, the dollar interest rates also retreated relative to the start of the year, with the 3-month Libor closing the first semester at 2.16%.

1) The Bank of Portugal revised the methodology for calculating the public debt, to include saving certificates capitalised interests. The revised debt-to-GDP ratio was 123.6% at the end of 2018, versus 121.5% previously disclosed.

In the fixed income market, the main benchmarks reversed their upward trend, with the 10-year UST falling by circa 65 bps between January and June, to 2.0%. In the Eurozone, the 10-year *Bund* again fell into negative ground, closing the period at -0.33%.

Risk premia in the European peripheral countries shrank, with the spread of the Portuguese debt against the *Bund* falling to 81 bps at the end of June (-74 bps since the start of the year). The Spanish and Italian debt spreads trended in the same direction, albeit not so steeply: since the start of the year the first fell by 52 bps, to 72 bps, and the latter by 11 bps, to 241 bps.
In the foreign exchange market, the euro remained relatively stable against the main currencies, at around 0.89 to the British pound throughout the semester, and closing the period at around 1.14 against the US dollar.

Equity market
Despite the global economic deceleration caused by a climate of uncertainty surrounding the US-China trade war and the Brexit process, the first half of 2019 was marked by a strong rally of the main equity indices, recovering from the sharp falls at the end of 2018. The benchmark European equities index Euro Stoxx 600 closed the semester with a gain of 14%, while the S&P 500 – the leading North-American stock market index – advanced by 17%.

In Portugal, the PSI-20 benchmark index gained 9% in the first half of 2019, with nine stocks closing the period with gains above 10%, and only five on negative ground. In Spain, the IBEX35 advanced by 8%, with 10 stocks only closing the period on negative ground, and 17 registering gains above 10%.

Financial review

CONSOLIDATED OVERVIEW

Consolidated net profit

BPI reported a **consolidated net profit of €134.5 million** in the 1st half of 2019. The activity in Portugal contributed with 65% to the consolidated net profit.

The comparison with the 1st half of 2018 should take into account that the evolution of consolidated net profit (-63% yoy) is heavily influenced by extraordinary positive impacts in the 1st half of 2018 (+€118 million, essentially gains on the sale of equity holdings), not repeated in 2019, and by the change of the accounting classification of BFA at the end of 2018, as a result of which the consolidated net profit now only reflects BFA's dividends.

The **activity in Portugal generated a recurring net profit of €86.9 million** in the 1st half 2019, corresponding to a yoy reduction of 17%, which is largely explained by impairments in recovery funds totalling €11 million, and a €5 million reduction in gains on financial assets and liabilities and other.

The **contribution of the equity holdings in BFA (48.1%) and BCI (35.7%) totalled €47.6 million** in the 1st half of 2019. BFA contributed €38.1 million to the 1st half of 2019 consolidated net profit, reflecting the 2018 net dividends attributed to BPI, while BCI contributed €9.5 million.

Consolidated net profit

Amounts in €million

	1st half 18	1st half 19
Activity in Portugal		
Recurring net profit	104.2	86.9
Non-recurring impacts	118.3	(0.0)
Net profit in Portugal	222.5	86.9
BFA contribution[1]	136.3	38.1
Contribution of BCI and other	7.3	9.5
Consolidated net profit	**366.1**	**134.5**

Non-recurring impacts in the 1st half of 2018: €59.6 million gain on the sale of the holding in Viacer, €61.8 million gain on the sale of subsidiaries (BPI Gestão de Ativos and BPI GIF), €5.5 million cost (after tax) with early retirements, and €2.5 million of net income from discontinued operations.

Accounting shareholders' equity and prudential capital

At 30 June 2019, the fully loaded Common Equity Tier I (CET1) totalled €2 277 million, and total own funds amounted to €2 577 million, not including the 1st half of 2019 net profit. The corresponding fully loaded capital ratios were: CET1 ratio of 13.1% and total capital ratio of 14.9%.

Including the 1st half of 2019 net income and assuming a dividend in line with the upper limit of the long-term dividend policy, the proforma CET 1 ratio was 13.5% and the proforma total capital ratio was 15.2%.

Regulatory capital requirements ratio

In accordance with the fully loaded CRD IV / CRR rules — Amounts in €million

		Dec.18	Jun.19 [2]	Jun.19 proforma[3]
Common Equity Tier I	1	2 335.0	2 277.0	2 341.3
Tier I	2	2 335.0	2 277.0	2 341.3
Tier II	3	300.0	300.0	300.0
Total own funds	4	2 635.0	2 577.0	2 641.3
Risk weighted assets	5	16 976.8	17 339.1	17 387.5
CET1 ratio [= 1 / 5]	6	13.8%	13.1%	13.5%
T1 ratio [= 2 / 5]	7	13.8%	13.1%	13.5%
Total Ratio [= 4 / 5]	8	15.5%	14.9%	15.2%

Note: the minimum prudential requirements established by the ECB (a decision based on the SREP results) for the 2019 consolidated CET1, T1 and total capital ratios (fully loaded) were 9.25%, 10.75% and 12.75%, respectively.

2) Does not include the 1st half of 2019 net income.
3) Proforma including the 1st half of 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend policy.

The leverage ratio is calculated as the ratio of Tier 1 capital to the total value of balance sheet assets and off-balance sheet items, and therefore is not subject to weighting coefficients as is the case when calculating risk-weighted assets. At 30 June 2019 the fully loaded Leverage ratio was 7.1%.

1) At the end of 2018 BPI changed the accounting classification of its equity holding in BFA, from "associated company", consolidated by the equity method, to "financial investment", recognised under "shares at fair value through other comprehensive income". As from 1 January 2019, the consolidated profit of BPI recognises BFA's dividends attributed to BPI and not the appropriation of profits, as was the case when this equity holding was recognised by the equity method.

The proforma leverage ratio, including the 1st half of 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend policy, was 7.3% in June 2019.

Leverage ratio (CDR IV / CRR fully loaded)

	Dec.18	Jun.19	Jun.19 proforma (1)
Leverage ratio	7.3%	7.1%	7.3%

1) Proforma including the 1st half of 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend policy.

Issuance of €275 million of AT1 capital instruments in September 2019

In September 2019, BPI issued €275 million of Additional Tier 1 (AT1[1]) capital instruments, which was fully subscribed by CaixaBank. This issue (AT1) sought a more optimised capital structure of the CET1, Tier 1 and Total Capital requirements as set in the CRR[2].

The Additional Tier 1 capital instruments issued are perpetual securities, with an issuer option for early repayment on or after the 5th year (subject to the authorisation of the Supervisory Authority) and have an automatic loss absorbing mechanism ("temporary write-down") that is triggered if the consolidated or individual CET1 ratio falls below 5.125% ("trigger level").

The issue will have a positive impact of 1.6 p.p. on BPI's consolidated Tier 1 and total capital ratios, calculated by reference to 30 June 2019.

1) Undated deeply subordinated notes.

2) Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR).

ACTIVITY IN PORTUGAL

Results and profitability

The net profit from the activity in Portugal totalled €86.9 million in the 1st half of 2019, which compares with €222.5 million in the same period in 2018, when it had benefited from non-recurring gains in the amount of €118.3 million, essentially arising from the sale of equity holdings and subsidiaries.

On a comparable basis, the (recurring) net profit from the activity in Portugal decreased by 17% year-on-year, to €86.9 million, from €104.2 million in the 1st half of 2018.

Recurring ROTE from the activity in Portugal was 7.7% in the 12 months to June 2019.

Return on tangible equity (ROTE)

Last 12 months

	Jun.18	Jun.19
Activity in Portugal		
Allocated capital (€ million)	2 220.4	2 599.1
Recurring ROTE	**8.8%**	**7.7%**

Commercial results

In the 1st half of 2019 Banco BPI saw an expansion of both customer resources and customer loans portfolios:

- customer deposits were up by €1 084 million relative to Dec. 18 (+5.1% ytd);
- the corporate loan book in Portugal expanded by €135 million relative to Dec. 18 (+1.5% ytd) and by 6.8% compared to June 18 (yoy);
- the portfolio of personal loans and car finance grew by €104 million relative to Dec.18 (+7.5% ytd), while the mortgage loans portfolio remained relatively flat (-0.5% ytd).

Asset quality

BPI continued to show a consistent improvement in credit quality indicators:

- the NPE[1] ratio decreased by 0.2 p.p., from 3.5% in Dec.18 to 3.3% in Jun.19;
- cumulative impairments for loans and guarantees on the balance sheet plus collaterals covered 126% of NPE;
- reversals of impairments and provisions for loans and guarantees on the income statement totalled €4.9 million in the 1st half of 2019. In addition, a total of €5.9 million in loans previously written off from assets was recovered.

Funding and liquidity

BPI shows a balanced funding structure and a strong liquidity position:

- on-balance sheet customer resources accounted for 74% of total assets in the activity in Portugal;
- the loan to deposit ratio was 97%;
- the Liquidity Coverage Ratio (LCR) stood at 167%.

1) "Non-performing exposures" in accordance with the European Banking Authority (EBA) criteria; considering the prudential supervision perimeter.

Income statement

Net profit from the domestic activity totalled €86.9 million in the 1st half of 2019. In the same period of 2018 the net profit from the domestic activity, €222.5 million, included positive non-recurring income in the amount of €118.3 million.

On a comparable basis (i.e., excluding non-recurring impacts) the net profit from the activity in Portugal decreased by €17.4 million, or 17%, year-on-year.

This decrease resulted from:

- impairments in recovery funds of €11 million (booked under gains/(losses) on financial assets and liabilities);
- €9.9 million reduction in other gains/(losses) on financial assets and liabilities;
- €7.6 million (+3.7%) increase in the net interest income, making up for the €7.5 million (-5.6% yoy) reduction in net fee and commission income, explained by the sale of businesses;
- 4.6% increase in recurring operating expenses.

Income statement from the activity in Portugal

Amounts in € million

	1st half 18			1st half 19			Δ%
	As reported	Non-recurr.[1]	Exc. non-recurr.	As reported	Non recurr.	Exc. non-recurr.	Exc. non-recurr.
Net interest income	207.2		207.2	214.8		214.8	3.7%
Dividend income	1.5		1.5	2.3		2.3	53.2%
Equity accounted income	8.4		8.4	9.8		9.8	16.0%
Net fee and commission income	134.6		134.6	127.2		127.2	-5.6%
Gains/(losses) on financial assets and liabilities and other	78.9	59.6	19.4	(1.7)		(1.7)	-108.7%
Other operating income and expenses	(15.8)		(15.8)	(12.4)		(12.4)	21.0%
Gross income	414.9	59.6	355.3	339.8		339.8	-4.3%
Operating expenses	(221.7)	(7.6)	(214.1)	(223.9)	(0.0)	(223.9)	4.6%
Net operating income	193.2	52.0	141.2	115.9	(0.0)	116.0	-17.9%
Impairment losses and other provisions	11.1		11.1	10.7		10.7	3.7%
Gains and losses in other assets	(0.7)		(0.7)	1.2		1.2	275.4%
Net income before income tax	203.7	52.0	151.7	127.8	(0.0)	127.8	-15.7%
Income tax	(45.4)	2.1	(47.4)	(41.0)	0.0	(41.0)	-13.7%
Net income from continuing operations	158.3	54.1	104.2	86.9	(0.0)	86.9	-16.6%
Net income from discontinued operations	64.2	64.2					
Net Income	222.5	118.3	104.2	86.9	(0.0)	86.9	-16.6%

1) Non-recurring impacts in 1st half 2018 correspond to:
- €59.6 million gain (after taxes) on sale of equity holding in Viacer
- €5.5 million costs with early retirements (€7.6 million before taxes)
- €61.8 million gain on the sale of BPI Gestão de Activos and BPI GIF (recognised under income from discontinued operations)
- €2.5 million net income of BPI Gestão de Ativos and BPI GIF reclassified to income from discontinued operations

Gross Income

Gross income from the activity in Portugal totalled €339.8 million in the 1st half of 2019.

Recurring gross income (excluding the €59.6 million gain on the sale of the stake in Viacer in the 1st half of 2018) decreased by 4.3% yoy (-€15.5 million yoy).

Gross income

Amounts in € million

		Jun.18	Jun.19	Δ%
Net interest income	1	207.2	214.8	3.7%
Net fee and commission income	2	134.6	127.2	-5.6%
Gains / (losses) on financial assets and liabilities and other net income	3	13.5	-2.1	-115.5%
Recurring gross income [= ∑ 1 to 3]	4	355.3	339.8	-4.3%
Non-recurring	5	59.6		-100.0%
Total [= 4 + 5]	6	414.9	339.8	-18.1%

Net interest income

Net interest income expanded by 3.7%, or €7.6 million, relative to the 1st half of 2018. The main factor behind this increase was the expansion of the loan portfolio, which generated a volume effect of +€9.5 million.

In addition, the sovereign debt portfolio contributed around €2 million to the increase in the net interest income. The increase in the contribution of the sovereign debt portfolio is explained by the extension of its average maturity as a result of the reduction of the exposure to Treasury Bills and the reinforcement of the Portuguese, Spanish and Italian medium-term sovereign debt portfolio in 2018.

The average remuneration of the loan portfolio was 1.80% in the 1st half of 2019 (+0.02 p.p. yoy) while the average cost of deposits (in euro) was 0.02% (-0.01 p.p. yoy).

The unitary intermediation margin (defined as the difference between income from interest on loans[1] and the cost of customer deposits in euro) slightly increased in the 1st half of 2019 (+0.02 p.p. yoy), reaching 1.77%.

It should be noted that net interest income continued to be penalised by a context of Euribor interest rates at historical lows, close to zero or even negative, directly reflecting on the contraction in the average margin on sight deposits.

Net interest income

Amounts in € million

		Jun.18			Jun.19			Δ Interest (%)
		Average balance	Average rate (%)	Interest	Average balance	Average rate (%)	Interest	
Loans to customers[1]	1	21,549	1.78%	191.1	22,611	1.80%	202.2	5.8%
Customer deposits in euro	2	19,315	0.03%	3.2	20,801	0.02%	2.4	-24.0%
Intermediation margin	3		1.75%	187.9		1.77%	199.8	6.3%
Other revenues and costs	4			19.3			15.0	-22.0%
Net interest income [= 3 + 4]	5			207.2			214.8	3.7%

1) Excluding loans to employees

Net fee and commission income

Net fee and commission income contracted by 5.6% (-€7.4 million) relative to the 1st half of 2018.

The year-on-year evolution of net fee and commission income was affected by the sale of the cards, acquiring and investment banking businesses. Excluding the sale of these businesses (i.e., considering a comparable perimeter), net fee and commission income increases by €10.6 million (+9.1% yoy).

Net fee and commission income

Amounts in € million

		Jun.18	Jun.19	Δ%
Banking commissions	1	82.1	75.1	-8.6%
Mutual funds	2	19.7	18.3	-7.0%
Insurance	3	32.8	33.8	3.0%
Total [= 1+ 2 + 3]	4	134.6	127.2	-5.6%

Equity accounted income

The contribution of the equity accounted associated companies amounted to €9.8 million in the 1st half of 2019 (€8.4 million in the 1st half of 2018).

Gains / (losses) on financial assets and liabilities and other

In the first half of 2019 the gains / (losses) on financial assets and liabilities and other amounted to -€1.7 million. This includes losses on recovery funds in the period of €11 million.

The 1st half of 2018 gains / (losses) on financial assets and liabilities and other, in the amount of €78.9 million, included a €59.6 million gain on the sale of the stake in Viacer.

Other operating income and expenses

Other operating income and expenses in the 1st half of 2019, amounting to -€12.4 million, include the annual contributions to the National Resolution Fund (-€7.0 million) and European Resolution Fund (-€11.3 million), and income from services provided to CaixaBank Group (€6.6 million).

Other operating income and expenses

Amounts in € million

		Jun.18	Jun.19
Contribution to the National Resolution Fund	1	(5.5)	(7.0)
Contribution to the European Resolution Fund	2	(11.8)	(11.3)
Subscriptions and donations	3	(1.4)	(0.7)
Services provided to CaixaBank Group companies	4	2.4	6.6
Other	5	0.4	(0.1)
Total [= ∑ 1 to 5]	6	(15.8)	(12.4)
Pro memoria			
Extraordinary Contribution Levied on the Banking Sector	7	(7.3)	(7.9)

Operating expenses

Recurring operating expenses - recurring staff expenses, other administrative expenses, depreciation and amortisation - increased by 4.6% yoy, which is explained by the scheduled plan of investments, namely in the technological area.

Staff expenses (excluding non-recurring) increased by 2.5%. The application of IFRS 16 (lease agreements) led to an increase in depreciation and amortisation, against a reduction in other administrative expenses. The impact of the application of IFRS 16 in total expenses, and in the net income, is immaterial.

The "adjusted operating expenses[1]-to-commercial banking gross income ratio[2]" slightly improved, dropping from 61.4% in June 18 (last 12 months) to 61.0% in June 19 (last 12 months).

Operating expenses

Amounts in € million

		Jun.18	Jun.19	Δ%
Recurring staff expenses	1	119.2	122.2	2.5%
Other administrative expenses	2	84.4	75.4	(10.7%)
Depreciation and amortisation	3	10.4	26.2	151.7%
Recurring operating expenses [= ∑ 1 to 3]	4	214.1	223.9	4.6%
Non-recurring expenses	5	7.6	0.0	(99.8%)
Operating expenses, as reported [=4 + 5]	6	221.7	223.9	1.0%
Adjusted operating expenses / commercial banking gross income (last 12 months)	7	61.4%	61.0%	-0.4 p.p.

1) Operating expenses excluding costs with early retirements and voluntary terminations (recurring operating expenses) - income from services provided to CaixaBank Group.

2) Net interest income, net fee and commission income, dividend income and equity accounted income.

Employee pension liabilities

The present value of the Bank's total liabilities for Employees' past services amounted to €1 796 million at the end of June 2019.

The net assets of the Employees' pension funds amounted to €1 719 million, which guaranteed the funding of 96% of the pension liabilities.

Liabilities for Employee pensions and pension funds

Amounts in € million

	Dec.18	Jun.19
Total past service liabilities	1 639	1 796
Net assets of the pension fund	1 618	1 719
Coverage ratio of pension liabilities 1)	99%	96%
Discount rate	2.0%	1.45%
Pensionable salaries growth rate	1.00%	1.00%
Pensions growth rate	0.50%	0.50%
Mortality Table: Men	TV 88/ 90	TV 88/ 90
Mortality Table: Women	TV 88/ 90 – 3 years	TV 88/ 90 – 3 years

1) At Dec. 18 includes €5.5 million in contributions to the pension fund made at the start of 2019.

Pension funds return

In the 1st half of 2019, the Bank's pension funds' return was 7.9% (non annualised), originating a positive actuarial deviation in revenue of €112 million.

Actuarial deviations

In the 1st half of 2019 there were negative actuarial deviations of €57 million, resulting from a positive deviation in the pension funds' return (€112 million) and the change of the discount rate from 2.0% to 1.45% (-€159 million).

Actuarial deviations in 1st half 19

Amounts in € million

	1st half 19
Deviation in pension funds return	112
Change in discount rate	(159)
Other	(10)
Actuarial deviations in 1st half 19	(57)

Note: Actuarial deviations recognised directly in equity, in accordance with IAS19.

Impairments and provisions for loans and guarantees

Reversals of impairments and provisions for loans and guarantees totalled €4.9 million in the 1st half of 2019 (€4.4 million in the 1st half of 2018).

Recoveries of loans, interest and expenses previously written off from assets amounted to €5.9 million in the 1st half of 2019 (€7.0 million in 1st half 18).

Consequently, the cost of credit risk (impairments and provisions for loans and guarantees, minus recoveries) was -€10.9 million, which corresponds to -0.09% of the loan portfolio, in annualised terms.

Impairments and provisions for loans and guarantees

Amounts in € million

		Jun.18	Jun.19
Impairments	1	(4.4)	(4.9)
as % of loan portfolio1)	2	(0.04%)	(0.04%)
Recoveries	3	(7.0)	(5.9)
Cost of risk [= 1 + 3]	4	(11.3)	(10.9)
as % of loan portfolio1)	5	(0.09%)	(0.09%)
as % of loan portfolio (last 12 months)	6	(0.10%)	(0.18%)

1) As % of average gross loans and guarantees. In annualised terms.

BALANCE SHEET

At the end of June 2019 total assets (net) of the domestic activity amounted to €31.0 billion.

In June 2019 net loans to customers, in the amount of €23.3 billion, represented 75% of assets, and on-balance sheet customer resources (€22.9 billion) were the main source of balance sheet funding (74% of assets).

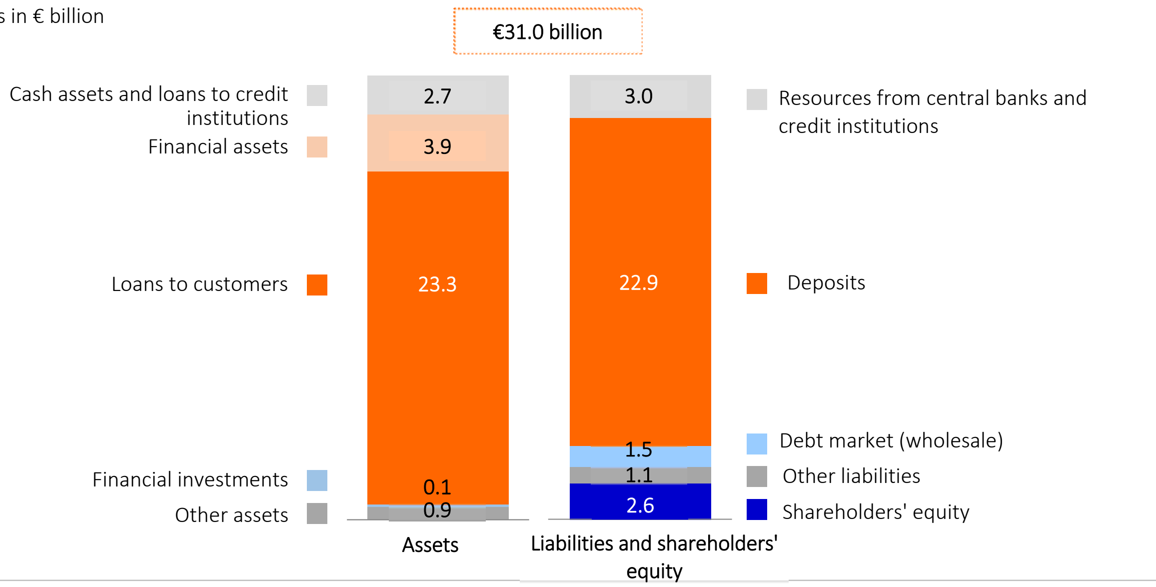
BPI maintains a comfortable liquidity position and balanced funding structure:

- the loan to deposit ratio was 97% in June 2019;
- BPI holds a portfolio of short-term Portuguese sovereign debt securities amounting to €0.8 billion, and a portfolio of medium and long-term sovereign debt securities (Portuguese, Spanish and Italian) in the amount of €2.5 billion, with an average residual maturity of 2.1 years.
- total high-quality liquid assets and assets eligible as collateral for additional funding from the ECB amounted to €9.8 billion at the end of June 2019. On this date, funding from the ECB totalled €1.4 billion.
- funding obtained in the debt market (wholesale funding) amounted to €1.5 billion, of which €1.05 billion were covered bonds, €129 million were loan securitisations and €300 million were subordinated bonds.
- the liquidity coverage ratio (LCR) stands at 167%[1].

Balance sheet of the activity in Portugal

Amounts in € billion

(30 Jun. 2019)



1) 12-month average, in accordance with the EBA guidelines. Average value (last 12 months) of the LCR calculation components: Liquidity reserves (€4 082 million); Total net outflows (€2 442 million).

Loans to customers

The portfolio of loans and advances to customers (gross) expanded by 1.4% in June 2019 (ytd):

- the portfolio of loans to companies and small businesses grew by 1.5% ytd (+€135 million). In year-on-year terms, the portfolio of loans to companies and small businesses grew by 6.8%;
- the Bank continued to gain market share in the corporate segment, where it reached 10.0% in June 2019.
- the mortgage loan portfolio contracted by 0.5% ytd. The market share in mortgage loans remained unchanged relative to December 2018, at 11.5%;
- the portfolio of other loans to individuals - personal loans and car financing - grew by 7.5% ytd (+€104 million).

Loans and advances to customers (gross)

Amounts in € million

	Dec.18	Jun.19	ytd Δ%
I. Loans to individuals	12 558	12 603	0.4%
Mortgage loans	11 171	11 112	(0.5%)
Other loans to individuals	1 387	1 491	7.5%
II. Loans to companies and small businesses	9 289	9 424	1.5%
III. Public Sector	1 544	1 689	9.4%
IV. Other[1]	96	106	10.7%
Total	**23 487**	**23 823**	**1.4%**
Pro memoria:			
Net loan portfolio	22 949	23 311	1.6%

Note: Loans to customers (gross) corresponds to Loans and advances to customers (€21 972 million in Jun.19), excluding collateral accounts and other assets (€74 million and €13 million in Jun.19, respectively), added of debt securities issued by customers (€1 937 million in Jun.19), recognised under Financial assets at amortised cost.

1) Includes interest receivable.

Credit risk

Credit risk is defined as the risk of financial loss due to the loss of value of the Bank's assets as a result of the deterioration of the counterparties' capacity to honour their commitments.

Default levels, provisioning and recovery

Non-performing exposures (NPE), calculated under the EBA criteria (EBA NPE), contracted by 6% (-€64 million) in the 1st half of 2019, to €0.99 billion.

The EBA NPE ratio improved by 0.2 p.p, dropping to 3.3% in June 2019, from 3.5% in December 2018.

The coverage of NPE by accumulated impairments on the balance sheet slightly increased, from 53% in December 2018 to 54% in June 2019; considering accumulated impairments and the collaterals associated to the NPE, this coverage ratio was 126%.

Over the last few years there has been a consistent downward trend in the NPE ratio, alongside a high coverage of NPEs by impairments and collaterals.

Non-performing exposures in the activity in Portugal (EBA criteria)

Amounts in € million

		31 Dec.14	31 Dec.15	31 Dec.16	31 Dec.17	31 Dec.18	30 Jun.19
Gross credit risk exposure	1	28 741	26 842	27 081	27 520	29 721	29 847
Non-performing exposures (NPE)[2]	2	2 581	2 074	1 790	1 408	1 055	991
NPE Ratio [= 2 / 1]	3	9.0%	7.7%	6.6%	5.1%	3.5%	3.3%
Impairments for loans and guarantees	4	977	895	706	603	561	532
Coverage by impairments [= 4 / 2]	5	38%	43%	39%	43%	53%	54%
Coverage by impairments and collaterals	6	-[3]	-[3]	110%	117%	127%	126%

Note: considering the prudential supervision perimeter.

2) Non-Performing exposures include positions in default and positions marked according to "Unlikely To Pay" subjective criteria. Total NPE correspond to the sum of non-performing loans (NPL) and non-performing debt securities.

3) No available data for Dec. 2014 and Dec. 2015.

In the corporate segment[1], the amount of NPE (EBA) was €447 million in June 2019, corresponding to 5.9 % of the gross credit exposure to the segment (6.4% in Dec.18). The coverage of NPE (EBA) by impairments in the corporate segment was 58%.

In turn, in the mortgage loans segment, the amount of NPE (EBA) was €478 million in June 2019, corresponding to a NPE ratio of 4.3% (4.6% in Dec.18). The analysis of the coverage level should take into account the relevant effect of collaterals (tangible guarantees) in reducing the risk of loss in this segment.

Non-performing loans (Bank of Spain criteria)

Loans classified as "non-performing", calculated under the Bank of Spain's criteria, decreased by €40 million in the first half of 2019, to €1 003 million, which corresponds to 3.9% of the gross loan portfolio and guarantees (4.2% in Dec.18).

The coverage of non-performing loans by accumulated impairments on the balance sheet was 53% at Jun.19; considering accumulated impairments and the collaterals associated to the non-performing loans, the coverage ratio was 118%.

Non-performing loans (Bank of Spain criteria) Amounts in € million

		31 Dec.18	30 Jun.19
Gross loan portfolio and guarantees	1	25 122	25 411
Non-performing loans	2	1 043	1 003
Non-performing loans ratio [= 2 / 1]	3	4.2%	3.9%
Impairments for loans and guarantees	4	561	532
Coverage by impairments [= 4 / 2]	5	54%	53%
Coverage by impairments and collaterals	6	120%	118%

Cost of Credit Risk

The steady improvement in credit quality indicators and high coverage levels, have translated, on the income statement, in a reduction of the cost of credit risk. In the first half of 2019 reversals of impairments and provisions for loans and guarantees totalled €4.9 million; in addition, a total of €5.9 million in loans, interest and expenses previously written off from assets, was recovered. The cost of credit risk was therefore negative by €10.9 million (representing a gain).

Restructured loans

The amount of restructured loans (forborne loans, under the EBA criteria) was €720 million at the end of June 2019. Of this amount, 31% are performing loans (Performing Exposures, under the EBA criteria) and the remaining 69% are included in the balance of non performing exposures (NPE). The forborne ratio decreased from 2.5% in December 2018 to 2.2% in June 2019.

In mortgage loans, the amount of restructured loans (forborne loans, under the EBA criteria) was €217 million at the end of June 2019 (2.0% of the gross credit exposure in this segment). Of this amount, €45 million correspond to performing loans and the remaining €172 million are included in non-performing exposures (NPE).

Forborne loans (EBA criteria) Amounts in € million

		31 Dec.17		31 Dec.18		30 Jun.19	
		Forborne loans	Forborne ratio	Forborne loans	Forborne ratio	Forborne loans	Forborne ratio
Performing loans	1	571	1.9%	254	0.8%	221	0.7%
Included in NPE	2	682	2.2%	559	1.7%	499	1.5%
Total [= 1+2]	3	**1 253**	**4.1%**	**813**	**2.5%**	**720**	**2.2%**

Note: considering the prudential supervision perimeter.

1) Large and medium-sized companies, corporate & investment banking, small businesses.

Foreclosed properties

At the end of June 2019, the stock of foreclosed properties held by BPI had a gross balance sheet value of €44 million. Of this amount, €18.8 million concerned properties obtained through home-loan recoveries and €25.2 million referred to properties repossessed for the recoupment of other loans.

On the same date the accumulated amount of impairments for foreclosed properties was €17.5 million. Therefore the net balance sheet value of these properties was €26.5 million. Their valuation value corresponded to 171% of the net balance-sheet value.

Foreclosed properties

By source of credit at 30 Jun.19 — Amounts in € million

	Home loans	Other	Total
Gross book value (GBV)	18.8	25.2	44.0
Impairments	2.9	14.6	17.5
Net book value (NBV)	**15.9**	**10.6**	**26.5**
Valuation as % of NBV	154%	197%	171%

Holdings in corporate recovery and restructuring funds

Banco BPI holds participation units in specialised loan recovery funds ("*Fundo de Recuperação, FCR*" and "*Fundo de Reestruturação Empresarial FCR*") which were subscribed against the transfer to these funds of customer loans.

At the end of June 2019, the share capital subscribed by BPI in the *Fundo de Recuperação, FCR* and *Fundo de Reestruturação Empresarial FCR* amounted to €96.0 million. BPI's paid-up share capital in these funds was €87.3 million (€84.3 million in the *Fundo de Recuperação, FCR*, and €3.0 million in the *Fundo de Reestruturação Empresarial FCR*). Net exposure to these funds, after revaluation, was €44.1 million.

Net exposure to corporate recovery and restructuring funds at 30 Jun.19

Amounts in € million

	Subscribed	Paid up
Fundo Recuperação, FCR	92.7	84.3
Fundo de Reestruturação Empresarial, FCR	3.3	3.0
Total	**96.0**	**87.3**
Revaluation		(43.2)
Net Exposure		**44.1**

Customer Resources

Customer deposits increased by 5.1% in the 1st half of 2019 (ytd), or +€1 084 million ytd, reaching €22.2 billion at the end of June 2019.

The Bank has been actively reducing the volume of deposits of institutional and financial investors to optimise the liquidity ratios (LCR), which explains the reduction in this component of resources.

Total on- and off-balance sheet resources increased by 2.7% (+€905 million) ytd, to €34.1 billion at the end of June 2019.

Customer resources

Amounts in € million

	Dec.18	Jun.19	ytd Δ%
I. On-balance sheet resources	**22 052**	**22 920**	**3.9%**
Customer deposits	21 107	22 192	5.1%
Deposits of institutional and financial investors	945	728	(23.0%)
II. Assets under management	**9 191**	**9 409**	**2.4%**
Mutual funds	5 083	5 068	(0.3%)
Capitalisation insurance	4 107	4 341	5.7%
III. Public subscription offerings	**1 952**	**1 772**	**(9.2%)**
Total	**33 195**	**34 100**	**2.7%**

Funding structure and liquidity

BPI shows a balanced funding structure and a comfortable liquidity position.

Funding structure

Customer resources are the main source of funding of the balance sheet. At the end of June 2019, on-balance sheet customer resources amounted to €22.9 billion and represented 74% of assets.

The loan to deposit ratio (CaixaBank criteria) stood at 97%.

Loan to deposit ratio

Amounts in € million

		Dec.18	Jun.19
Loans net of impairments	*1*	21 929	22 291
Deposits	*2*	22 036	22 902
Loan to deposit ratio [= 1 / 2]	*3*	**100%**	**97%**

In March 2019, BPI returned to the institutional debt market with a €500 million, 5-year, covered bond issue. The success of this transaction is illustrated by the size of demand, which reached 6 times the amount of the issue.

At the end of June, the amount of covered bonds reached €1 050 million, complementing the basis of customer resources.

Refinancing of medium- and long-term debt

Funding through the wholesale debt market is reduced. The portfolio of medium- and long-term debt placed in the market with institutional investors amounted to €1.5 billion on 30 June 2019 (including €1.05 billion in covered bonds).

The medium/long-term debt net refinancing needs in the coming years are small: €929 million in the next five years (of which €129 million in the 2nd half of 2019).

Liquidity

At the end of June 2019, the Bank's Liquidity Coverage Ratio (LCR) was 167%[1].

The overall portfolio of high liquidity assets held by the Bank - high quality liquid assets[2] and assets eligible as collateral for additional funding from the ECB – totalled €9 848 million at the end of June 2019. On this date, funding from the ECB totalled €1.4 billion.

Total liquid assets

Amounts in € million

		Dec.18	Jun.19
High Quality Liquid Assets	1	3 897	4 541
Other assets eligible as collateral with the ECB	2	5 601	5 307
Total Liquid Assets [= 1 + 2]	3	9 498	9 848

1) Average value (last 12 months) of the LCR calculation components: Liquidity reserves (€4 082 million); Total net outflows (€2 442 million).

2) High-quality liquid assets (HQLAS) are used in the calculation of the Liquidity Coverage Ratio (LCR).

CONTRIBUTION OF EQUITY HOLDINGS IN BFA AND BCI

Contribution to the consolidated net income

Banco BPI holds minority equity holdings in two African banks:

- 48.1% stake in Banco de Fomento Angola (BFA), which operates in commercial banking in Angola; and
- 35.7% stake in Banco Comercial e de Investimentos (BCI), which operates in commercial banking in Mozambique.

CHANGE OF ACCOUNTING CLASSIFICATION OF THE FINANCIAL INVESTMENT IN BFA

At the end of 2018, BPI changed the accounting classification of its equity holding in BFA, from "associated company", consolidated by the equity method, to "financial investment", recognised under "shares at fair value through other comprehensive income".

BPI believes that this is the more prudent accounting option and that it adequately reflects its current position in BFA (with no significant influence).

As from 1 January 2019, the consolidated profit of BPI only recognises BFA's dividends attributed to BPI and not the appropriation of profits, as was the case when this equity holding was recognised by the equity method.

BPI's equity holdings in BFA and BCI contributed with €47.6 million to the consolidated net income in the 1st half of 2019.

BFA's contribution to the consolidated net income amounted to €38.1 million in the 1st half of 2019, essentially corresponding to BFA dividends attributed to BPI relative to the 2018 net earnings. In the 1st half of 2018 the contribution of BFA (€136.3 million) reflected the appropriation of BFA net income through the equity method.

BCI's contribution to the consolidated net income increased from €7.1 million in the 1st half of 2018 to €9.5 million in the 1st half of 2019.

Shareholdings in African banks Amounts in € million

		Jun.18	Jun.19
BFA Contribution	1	136.3	38.1
BCI Contribution	2	7.1	9.5
BPI Capital África	3	0.2	-
Total [=1+2+3]	4	**143.5**	47.6

Consolidated indicators of profitability and efficiency in accordance with Bank of Portugal instruction 16/2004, as amended by Instruction 6/2018

	Jun.18	Jun.19
Gross income / ATA	3.8%	2.4%
Net income before income tax and income attributable to non-controlling interests / ATA	2.8%	1.1%
Net income before income tax and income attributable to non-controlling interests / average shareholders' equity (including non-controlling interests)	29.1%	10.9%
Staff expenses / Gross income[1)]	20.8%	31.6%
Operating expenses / Gross income[1)]	37.4%	57.8%
Loan to deposit ratio	104%	102%

1) Excluding costs with early retirements.

INDIVIDUAL FINANCIAL INFORMATION

Individual net income

The net income determined in Banco BPI's individual accounts for the 1st half of 2019 was €131.9 million.

The 1st half of 2018 individual net income, in the amount of €288.7 million, included positive non-recurring impacts totalling €132.0 million that essentially corresponded to gains on the sale of equity holdings.

If the non-recurring impacts are excluded from net income (comparable basis), the individual net income decreases by 15.8% year-on-year.

Individual net income

Amounts in € million

	Jun.18	Jun.19
Recurring net income	156.7	131.9
Non-recurring impacts		
Capital gains on the sale of equity holdings	137.2	-
Cost with early retirements and voluntary terminations	(5.2)	(0.0)
Non-recurring impacts	132.0	(0.0)
Net Income	288.7	131.9

Individual income statement

Amounts in € million

		Jun.18	Jun.19	Δ%
Net interest income	1	210.6	218.1	3.5%
Dividend income	2	71.0	61.0	(14.1%)
Net fee and commission income	3	127.2	123.3	(3.1%)
Gains/(losses) on financial assets and liabilities and other	4	69.9	(1.8)	(102.6%)
Other operating income and expenses	5	(20.3)	(17.6)	13.5%
Gross income [=∑ (1 to 5)]	6	**458.5**	**383.0**	**(16.5%)**
Recurring staff expenses	7	(114.3)	(119.7)	4.7%
Other administrative expenses	8	(82.0)	(74.8)	(8.8%)
Depreciation and amortisation	9	(10.2)	(26.1)	155.1%
Recurring operating expenses [=∑ (7 to 9)]	10	**(206.6)**	**(220.6)**	**6.8%**
Cost with early retirements and voluntary terminations	11	(7.2)	(0.0)	(99.8%)
Operating expenses [= 10 + 11]	12	**(213.7)**	**(220.6)**	**3.2%**
Net operating income [= 6 + 12]	13	**244.7**	**162.4**	**(33.6%)**
Impairment losses and other provisions	14	11.1	10.7	(3.7%)
Gains and losses in other assets	15	(0.9)	0.3	-
Net income before income tax [=∑ (13 to 15)]	16	**255.0**	**173.4**	**(32.0%)**
Income tax	17	(43.9)	(41.5)	(5.6%)
Net income from continuing operations [= 16 + 17]	18	**211.1**	**131.9**	**(37.5%)**
Net income from discontinued operations	19	77.7		(100.0%)
Net income [= 18 + 19]	20	**288.7**	**131.9**	**(54.3%)**

The individual gross income totalled €383.0 million in the 1st half of 2019. The 16.5% year-on-year reduction in gross income is essentially explained by the reduction in gains/(losses) in financial assets and liabilities, which in the 1st half of 2018 included a €59.6 million non-recurring capital gain on the sale of the equity holding in Viacer, and in the 1st half of 2019 included €11 million losses in recovery funds.

Net interest income increased by 3.5% year-on-year, while net fee and commission income contracted by 3.1% yoy as a result of the sale of the cards and acquiring businesses. The 'Dividend income' caption includes €12.8 million in dividends from companies included in Banco BPI's consolidation perimeter.

Recurring operating expenses rose by 6.8% in Banco BPI's individual accounts.

On an individual basis, Banco BPI recorded reversals of total impairments and provisions plus recoveries, in the amount of €10.7 million (gain) in the 1st half of 2019 (reversals of total impairments and provision plus recoveries of €11.1 million in the 1st half of 2018).

Individual balance sheet

Total assets (net) of Banco BPI (individual basis) amounted to €35.7 billion at the end of June 2019. Individual accounting shareholders' equity totalled €2 990 million at the end of June 2019.

Individual balance sheet indicators Amounts in € million

	31 Dec.18	30 Jun.19	Δ%
Total assets (net)	35 786	35 671	-0.3%
Loans to customers (gross)	23 487	23 823	1.4%
Deposits	22 236	23 103	3.9%
Shareholders' equity	3 049	2 990	-1.9%

Banco BPI is the main business unit and is responsible for the development of the commercial banking business in Portugal. In 2018 Banco BPI completed the process of closing down all its representative offices and offshore branches (Paris, Madrid and Cayman), the objective of which was to focus BPI on the core banking activity in Portugal and at the same time promote a simpler and more efficient financial structure. For the reasons pointed out, the description of Banco BPI's commercial performance on a consolidated basis is valid for the evolution of the various captions on an individual basis.

The portfolio of loans and advances to customers (gross), on an individual basis, expanded by 1.4% ytd, to €23.8 billion at the end of June 2019. Total deposits increased by 3.9% ytd, to €23.1 billion, while the Bank has been actively promoting the reduction of deposits from institutional and financial investors to optimise its liquidity ratios.

In July 2019, Banco BPI concluded the merger by incorporation of Banco Português de Investimento and BPI Private Equity into Banco BPI, with the consequent extinction of these two companies. The aim of these mergers by incorporation and legal extinction of the referred companies was to simplify the structure of BPI Group.

Individual capital ratios

At the end of June 2019, the fully loaded capital ratios (without including the 1st half of 2019 net income) were 12.8% for the CET1 ratio and 14.5% for the total capital ratio.

Including the 1st half of 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend distribution policy, the proforma individual CET 1 ratio was 13.1% and the proforma individual total capital ratio was 14.8%.

Fully loaded capital ratios (individual basis) Amounts in € million

		Dec.18	Jun.19[1]	Jun.19 proforma[2]
Common Equity Tier I	1	2 276.8	2 229.9	2 291.3
Tier I	2	2 276.8	2 229.9	2 291.3
Tier II	3	300.0	300.0	300.0
Total own funds	4	2 576.8	2 529.9	2 591.3
Risk weighted assets	5	17 064.1	17 437.3	17 485.1
CET1 ratio [= 1 / 5]	6	13.3%	12.8%	13.1%
T1 ratio [= 2 / 5]	7	13.3%	12.8%	13.1%
Total Ratio [= 4 / 5]	8	15.1%	14.5%	14.8%
Leverage ratio		6.3%	6.2%	6.4%

1) Does not include the 1st half of 2019 net income.

2) Proforma including the 1st half of 2019 net income and assuming a dividend distribution in line with the upper limit of the long-term dividend distribution policy.

Rating

BPI currently holds investment grade ratings for its long-term debt (BBB), assigned by Fitch Ratings and S&P Global Ratings, and for long-term deposits (Baa1), by Moody's.

The mortgage covered bonds issued by BPI are rated AA (Low) by DBRS and Aa3 by Moody's and qualify as level 1 assets for purposes of calculation of the LCR ratio.

The latest rating actions on BPI are described below:

- Fitch Ratings did not change its ratings of BPI during the 1st half of 2019. On 11 October 2018, Fitch Ratings had raised by one notch the long-term debt rating of Banco BPI, from BBB- to BBB, with stable Outlook. The ratings were reaffirmed on 6 December, with stable Outlook.

- On 18 March 2019, S&P Global Ratings upgraded its long-term debt rating of BPI by one notch, to BBB, with stable outlook. In its note, S&P Global Ratings positively highlighted BPI's solid commercial position, superior asset quality, low reliance on the debt markets and adequate liquidity.

On 26 June Moody's reaffirmed its Baa1 rating on the long-term customer deposits, which represent BPI's main source of funding. Moody's highlighted the Bank's enhanced capital levels, its low level of non-performing assets, well below the Portuguese system average and BPI's improving profitability metrics in the activity in Portugal.

On the same date, Moody's downgraded the rating assigned to the Bank's long-term senior unsecured debt, from Baa2 to Ba1, reflecting the application of a specific Moody's analysis in connection with the entry into force of a new regulatory framework in Portugal, which, in the case of a bank resolution, strengthens the protection of deposits relative to senior unsecured debt. The rating assigned to the long-term senior unsecured debt reflects this debt's very low weight in BPI's total funding (€10 million at the end of June).

In July, Moody's upgraded its Baseline Credit Assessment (BCA) of BPI by 1 notch, to "baa3", reaching investment grade, and reaffirmed its ratings on the long-term deposits and long- term debt, with "Stable" Outlook.

At 30 June 2019

	DBRS	Fitch Ratings	Moody's	S&P Global Ratings
Banco BPI credit ratings				
Long-Term Deposits			Baa1	
Short-Term Deposits			Prime-2	
Outlook on MLT deposits			Stable	
Long-Term Debt		BBB	Ba1	BBB
Short-Term Debt		F2	Not prime	A-2
Outlook on MLT debt		Stable	Stable	Stable
Individual Rating		bb+ (Viability rating)	ba1 (Baseline Credit Assessment)	bb+ (Stand-alone credit profile-SACP)
Collateralised senior debt				
▪ Mortgage	AA (Low)		Aa3	
▪ Public sector			A1	
Senior non-preferred debt			Ba1	BBB-
Subordinated debt		BB+	Ba1	BB+
Junior subordinated debt			Ba2	
Portuguese Republic sovereign risk[1)]				
Long-Term	BBB	BBB	Baa3	BBBu
Short-Term	R-2 (high)	F2	Prime-3	A-2u
Outlook	Positive	Positive	Stable	Stable

1) The ratings attributed by S&P Global Ratings to the Portuguese Republic are unsolicited ("u").

Annex - Bank of Portugal Recommendations

ADOPTION OF THE FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS) RECOMMENDATIONS ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Bank of Portugal, through circular-letters 97/08/DSBDR of 3 December 2008 and 58/09/DSBDR of 5 August 2009, has recommended that within the accounting documents, a separate chapter or a specific annex be included in the Annual Report, designed to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to Bank of Portugal's circular-letter 46 / 08 / DSBDR.

In order to comply with Bank of Portugal's recommendation, the present chapter provides a response to the aforesaid questionnaire, using cross-references to the more detailed information presented in the 1st half 2019 Report.

Recommendation Summary	Reference to 1st half 2019 Report
I. BUSINESS MODEL	
1. Description of the business model	**MR** – Financial structure and business model, page 7. **NFS** – 6. Segments, page 76.
2. Description of strategies and objectives	**MR** – Summary of 1st half 2019 results, page 5; Financial review, page 12; ***NFS*** –3. Risk management, page 54.
3. Description of the importance of the operations carried out and the respective contribution to business	**MR** – Financial structure and business model, page 7; Financial review, page 12. **NFS** – 6. Segments, page 76.
4. Description of the type of activities undertaken 5. Description of the objective and extent of the institution's involvement relating to each activity undertaken	**MR** – Financial structure and business model, page 7; Background to operations, page 9; Financial review, page 12. **NFS** – 3. Risk management, page 54; 6. Segments, page 76.
II. RISKS AND RISK MANAGEMENT	
6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments used	**MR** –Financial review, page 12. **NFS** – 3. Risk management, page 54; 8. *Financial assets, page 81.*
7. Description of major risk-management practices in operations	**MR** –Financial review, page 12. **NFS** – 3. Risk management, page 54; 8. *Financial assets, page 81.* ***GovR** 2018 – 2018 Corporate Governance Report, page.293.*
III. IMPACT OF THE PERIOD OF FINANCIAL TURMOIL ON THE RESULTS	
8. Qualitative and quantitative description of the results	***MR** – Financial review, page 12*
9. Breakdown of the write-downs / losses by types of products and instruments affected by the period of turmoil	***NFS** – 3. Risk management, page 54; 8. Financial assets, page 81; 25. Gains / (losses) on financial assets and liabilities, page 103.*
10. Description of the reasons and factors responsible for the impact suffered	***MR** – Financial review, page 12; Background to the operations, page 9.*
11. Comparison of the i) impacts between (relevant) periods and ii) the financial statements before and after the period of turmoil	***MR** – Financial review, page 12.*
12. Breakdown of write-downs between realised and non-realised	***MR** – Financial review, page 12;* ***NFS** – 8. Financial assets, page 81; 25. Gains / (losses) on financial assets and liabilities, page 103.*

13. Description of the influence of the financial turmoil on the behaviour of Banco BPI shares	*The Banco BPI shares were excluded from trading on the Euronext Lisbon regulated market on 14 December 2018, following the CMVM's favourable decision on the loss of Banco BPI's public company status. On 27 December 2018 CaixaBank exercised its squeeze-out right on the remaining shares it did not yet hold, following which it now holds the entire share capital of Banco BPI.*
14. Disclosure of the maximum loss risk	*NFS – 3. Risk management, page 54.*
15. Disclosure of the impact that the trend in spreads associated with the institution's own liabilities had on earnings	*MR – Financial review, page 12.*
IV. LEVEL AND TYPE OF EXPOSURES AFFECTED BY THE PERIOD OF FINANCIAL TURBULENCE	
16. Nominal value (or amortised cost) and fair value of exposures	*NFS* – 8. Financial assets, page 81.
17. Information about credit risk mitigators and respective effects on existing exposures	MR –Financial review, page 12. NFS – 3. Risk management, page 54.
18. Detailed disclosure of exposures	MR –Financial review, page 12. NFS – 3. Risk management, page 54; 8. Financial assets, page 81.
19. Movements in exposures occurred between the relevant reporting periods and the reasons for these movements (sales, write-downs, purchases, etc.)	MR –Financial review, page 12. NFS – 3. Risk management, page 54; 8. Financial assets, page 81.
20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons	*Banco BPI consolidates all exposures in which it has control or significant influence, as provided for in IFRS 10, 11, IAS 28, IFRS 3 and IFRS 5. No changes were made to BPI Group's consolidation perimeter as a consequence of the period of turmoil in the financial markets.*
21. Exposure to monoline insurers and quality of the assets insured	*At 30 June 2019, BPI had no exposure to monoline insurers.*
V. ACCOUNTING POLICIES AND VALUATION METHODS	
22. Classification of transactions and structured products for accounting purposes and respective accounting treatment	NFS – 3. Risk management, page 54; 8. Financial assets, page 81; 15. Financial liabilities, page 91.
23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the period of turmoil	*The vehicles through which Banco BPI's debt securitisation operations are carried out are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity interest held in the respective vehicles.*
24. Detailed disclosure of the fair value of financial instruments	*NFS – 8. Financial assets, page 81.*
25. Description of the modelling techniques used for valuing financial instruments	*NFS – 2. Bases of presentation and main accounting policies, page 45 and 8. Financial assets, page 81.*
VI. OTHER RELEVANT ASPECTS OF DISCLOSURE	
26. Description of the disclosure policies and principles used in financial reporting	*GovR 2018 – 2018 Corporate Governance Report, page 293.*

MR – Management Report; NFS – Notes to the Financial Statements; GovR 2018 – 2018 Corporate Governance Report.

Annex - Alternative Performance Measures

The European Securities and Markets Authority (ESMA) published on 5 October 2015 a set of guidelines relating to the disclosure of Alternative Performance Measures by entities (ESMA/2015/1415). These guidelines are to be obligatorily applied with effect from 3 July 2016.

BPI uses a set of indicators for the analysis of performance and financial position, which are classified as Alternative Performance Measures, in accordance with the abovementioned ESMA guidelines.

The information relating to those indicators has already been the object of disclosure, as required by the ESMA guidelines.

In the present report, the information previously disclosed is inserted by way of cross-reference. A summarised list of the Alternative Performance Measures is presented next.

EARNINGS, EFFICIENCY AND PROFITABILITY INDICATORS

Reconciliation of income statement structure

With the entry into force of IFRS 9 at the beginning of 2018, Banco BPI decided to adopt a structure of the individual and consolidated financial statements consistent with the guidelines of Regulation (EU) 2017/1443 of 29 June 2017 and with the structure of the financial statements presented by CaixaBank (consolidating entity of Banco BPI).

The table below shows, for the income statement of the activity in Portugal, the reconciliation of the structure presented in the Management Report with the structure presented in the financial statements and respective notes.

Income statement from the activity in Portugal

Amounts in €million

Management Report structure	Jun.19	Jun.19	Structure of the Financial Statements and attached notes
Net interest income	214.8	214.8	Net interest income
Dividend income	2.3	2.3	Dividend income
Equity accounted income	9.8	9.8	Share of profit/(loss) of entities accounted for using the equity method
Net fee and commission income	127.2	139.1	Fee and commission income
		(11.9)	Fee and commission expenses
Gains/(losses) on financial assets and liabilities and other	(1.7)	(0.3)	Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
		(0.8)	Gains/(losses) on financial assets and liabilities held for trading, net
		(7.3)	Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net
		1.0	Gains/(losses) from hedge accounting, net
		5.8	Exchange differences (gain/loss), net
Other operating income and expenses	(12.4)	18.5	Other operating income
		(30.9)	Other operating expenses
Gross income	**339.8**	**339.8**	**GROSS INCOME**
Staff expenses	(122.2)	(122.2)	Staff expenses
Other administrative expenses	(75.4)	(75.4)	Other administrative expenses
Depreciation and amortisation	(26.2)	(26.2)	Depreciation and amortisation
Operating expenses	**(223.9)**	**(223.9)**	**Administrative expenses, depreciation and amortisation**
Net operating income	**115.9**		
Impairment losses and other provisions	10.7	2.4	Provisions or reversal of provisions
		8.3	Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss
Gains and losses in other assets	1.2	1.0	Impairment /(reversal) of impairment in subsidiaries joint ventures and associates
		1.7	Impairment/(reversal) of impairment on non-financial assets
		(1.5)	Gains/(losses) on derecognition of non-financial assets, net
		(0.1)	Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
Net income before income tax	**127.8**	**127.8**	**PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS**
Income taxes	(41.0)	(41.0)	Tax expense or income related to profit or loss from continuing operations
Net income from continuing operations	**86.9**	**86.9**	**PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS**
Net income from discontinued operations	0.0	0.0	Profit/(loss) after tax from discontinued operations
Income attributable to non-controlling interests	0.0	0.0	Profit/(loss) for the period attributable to non-controlling interests
Net income	**86.9**	**86.9**	**PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT**

The earnings, efficiency and profitability indicators are defined by reference to the aforementioned structure of the income statement presented in the Management Report.

EARNINGS, EFFICIENCY AND PROFITABILITY INDICATORS

Gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income + Gains/(losses) on financial assets and liabilities and other + Other operating income and expenses

Commercial banking gross income = Net interest income + Dividend income + Net fee and commission income + Equity accounted income excluding the contribution of stakes in African banks

Operating expenses = Staff expenses + Other administrative expenses + Depreciation and amortisation

Adjusted Operating expenses = Staff expenses excluding cost with early retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) + Other administrative expenses + Depreciation and amortisation - Income from services rendered to CaixaBank Group (recorded in "Other operating income and expenses"

Net operating income = Gross income - Operating expenses

Net income before income tax = Net operating income – Impairment losses and other provisions + Gains and losses in other assets

Cost-to-income ratio (efficiency ratio) 1) = Operating expenses / Gross income

Adjusted Operating expenses-to-commercial banking gross income 1) = Operating expenses, excluding costs with early-retirements and voluntary terminations and (only in 2016) gains with the revision of the Collective Labour Agreement (ACT) - Income from services rendered to CaixaBank Group / Commercial banking gross income

Return on Equity (ROE) 1) = Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of the fair value reserve (net of deferred taxes) related to available-for-sale financial assets

Return on Tangible Equity (ROTE) 1) = Net income for the period / Average value in the period of shareholders' equity attributable to BPI shareholders after deduction of intangible net assets and goodwill of equity holdings

Return on Assets (ROA) 1) = (Net income attributable to BPI shareholders + Income attributable to non-controlling interests - preference shares dividends paid) / Average value in the period of net total assets

Unitary intermediation margin = Loan portfolio (excluding loans to employees) average interest rate - Deposits average interest rate

BALANCE SHEET AND FUNDING INDICATORS

On-balance sheet customer resources = Deposits + Capitalisation insurance of fully consolidated subsidiaries + Participating units in consolidated investment funds

Where:

- Deposits = Demand deposits and other + Term and savings deposits + Interest payable + Retail bonds (Fixed / variable rate bonds and structured products placed with customers + Certificates of deposit + Subordinated bonds placed with customers)
- Capitalisation insurance of fully consolidated subsidiaries (BPI Vida e Pensões sold in Dec.17) = Unit links capitalisation insurance and "Aforro" capitalisation insurance and others (Technical provisions + Guaranteed rate and guaranteed retirement capitalisation insurance)

Note: The amount of on-balance sheet customer resources is not deducted of applications of off-balance sheet products (mutual funds and pension funds) in on-balance sheet products

Assets under management = Mutual funds + Capitalisation insurance + Pension funds

- Mutual funds = Unit trust funds + Real estate investment funds + Retirement-savings and equity-savings plans ("PPR" and "PPA" in Portuguese) + Hedge funds + Assets from funds under BPI Suisse management + Third-party unit trust funds placed with customers

- Capitalisation insurance = third-party capitalisation insurance placed with customers

1) Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.

▪ Pension Funds = pension funds under BPI management (includes BPI pension funds)

Notes:

(i) Amounts deducted of participation units in the Group banks' portfolios and of placements of off-balance sheet products (mutual funds and pension plans) in other off-balance sheet products.

(ii) Following the sale of BPI Vida e Pensões in Dec. 17, the capitalisation insurance placed with BPI's customers was recognised off balance sheet, as "third-party capitalisation insurance placed with customers" and pension funds management was excluded from BPI's consolidation perimeter.

Subscriptions in public offerings = Customer subscriptions of third-party public offerings

Total customer resources On-balance sheet customer resources + Assets under management + Subscriptions in public offerings

Gross loans to customers = Gross Loans and advances to customers (financial assets at amortized cost), excluding other assets (guarantee accounts and others) + Gross debt securities issued by customers (financial assets at amortized cost)

Note: gross loans = performing loans + loans in arrears + interest receivable

Net loans to customers = Gross loans to customers – Impairments for loans to customers

Loan to deposit ratio (CaixaBank criteria) = (Net loans to customers - Funding obtained from the EIB, which is used to provide credit) / Deposits and retail bonds

ASSET QUALITY INDICATORS

Impairments and provisions for loans and guarantees (in income statement) = Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss relative to loans and advances to customers and debt securities issued by customers (financial assets at amortised cost), before deduction of recoveries of loans previously written off from assets, interest and others + Provisions or reversal of provisions for commitments and guarantees

Cost of credit risk = Impairments and provisions for loans and guarantees, net (in income statement) - Recoveries of loans previously written off from assets, interest and other

Cost of credit risk as % of loan portfolio [1)] = (Impairments and provisions for loans and guarantees, net (in income statement) - Recoveries of loans previously written off from assets, interest and other) / Average value in the period of the gross loans and guarantees portfolio.

Performing loans portfolio = Gross customer loans - (Overdue loans and interest + Receivable interests and other)

NPE Ratio = Ratio of non-performing exposures (NPE) in accordance with the EBA criteria (prudential perimeter)

Coverage of NPE = [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non-performing exposures (NPE)

Coverage of NPE by impairments and associated collaterals = [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments + Collaterals associated to NPE) / Non-performing exposures (NPE)

Non-performing loans ratio (“*credito dudoso*”, Bank of Spain criteria) = Non performing loans (Bank of Spain criteria) / (Gross customer loans + guarantees)

Non-performing loans (Bank of Spain criteria) coverage ratio = [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] / Non performing loans (Bank of Spain criteria)

Coverage of non-performing loans (Bank of Spain criteria) by impairments and associated collaterals = [Impairments for loans and advances to customers (financial assets at amortised cost) + Impairments for debt securities issued by customers (financial assets at amortised cost) + Impairments and provisions for guarantees and commitments] + Collateral associated to credit] / Non performing loans (Bank of Spain criteria)

Impairments cover of foreclosed properties = Impairments coverage of foreclosed properties = Impairments for real estate received in settlement of defaulting loans / Gross value of real estate received in settlement of defaulting loans

1) Ratio refers to the last 12 months, except where otherwise indicated. The ratio can be computed for the cumulative period since the beginning of the year, in annualised terms, in which case it will be clearly marked.

Banco BPI, S.A.

Condensed interim consolidated financial statements as at 30 June 2019

BANCO BPI, S.A.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousand euros)

	Notes	30-06-2019	31-12-2018
ASSETS			
Cash and cash balances at central banks and other demand deposits	**8**	**2 008 548**	**2 452 916**
Financial assets held for trading	**8**	**246 123**	**226 772**
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**8**	**214 824**	**228 582**
Equity instruments		151 403	168 594
Debt securities		63 421	59 988
Financial assets at fair value through other comprehensive income	**8**	**2 143 468**	**1 875 160**
Equity instruments		586 130	597 740
Debt securities		1 557 338	1 277 420
Financial assets at amortised cost	**8**	**25 950 868**	**25 671 943**
Debt securities		3 685 784	3 516 814
Loans and advances - Central Banks and other Credit Institutions		800 550	790 659
Loans and advances - Customers		21 464 534	21 364 470
Derivatives - Hedge accounting	**9**	**34 522**	**14 320**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**61 153**	**26 719**
Investments in joint ventures and associates	**10**	**228 716**	**209 144**
Tangible assets	**11**	**144 257**	**67 252**
Intangible assets	**12**	**51 534**	**55 126**
Tax assets	**20**	**332 662**	**352 763**
Other assets	**13**	**224 839**	**353 422**
Non-current assets and disposal groups classified as held for sale	**14**	**27 550**	**33 896**
Total assets		**31 669 064**	**31 568 015**
LIABILITIES			
Financial liabilities held for trading	**15**	**164 294**	**141 335**
Financial liabilities at amortised cost	**15**	**27 646 390**	**27 515 745**
Deposits - Central Banks		1 350 100	1 352 843
Deposits - Credit Institutions		1 399 694	1 853 501
Deposits - Customers		23 110 672	22 960 252
Debt securities issued		1 490 319	1 118 195
Memorandum items: subordinated liabilities		304 501	304 514
Other financial liabilities		295 605	230 954
Derivatives - Hedge accounting	**9**	**76 363**	**56 010**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**25 324**	**3 594**
Provisions	**16**	**43 139**	**65 457**
Pending legal issues and tax litigation		22 450	42 245
Commitments and guarantees given		20 689	23 212
Tax liabilities	**20**	**73 103**	**73 802**
Other liabilities	**17**	**478 930**	**506 120**
Total Liabilities		**28 507 543**	**28 362 063**
SHAREHOLDERS' EQUITY			
Capital	**19**	**1 293 063**	**1 293 063**
Other equity	**19**		**371**
Accumulated other comprehensive income		**(291 419)**	**(253 402)**
Items that will not be reclassified to profit or loss		(284 745)	(232 788)
Tangible assets		703	703
Actuarial gains/ (losses) on defined benefit pension plans		(332 198)	(288 248)
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		427	(1 858)
Fair value changes of equity instruments measured at fair value through other comprehensive income		46 323	56 615
Items that may be reclassified to profit or loss		(6 674)	(20 614)
Foreign currency translation		(36 159)	(35 802)
Fair value changes of debt instruments measured at fair value through other comprehensive income		6 308	1 927
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates		23 177	13 261
Retained earnings	**19**	**1 903 351**	**1 548 458**
Other reserves	**19**	**122 076**	**126 824**
Profit/(loss) attributable to owners of the parent		**134 450**	**490 638**
Total Equity		**3 161 521**	**3 205 952**
Total Equity and Total Liabilities		**31 669 064**	**31 568 015**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	Notes	30-06-2019	30-06-2018
Interest income	22	264 216	246 641
Interest expenses	22	(49 437)	(39 481)
NET INTEREST INCOME		**214 779**	**207 160**
Dividend income	23	48 256	1 471
Share of profit/(loss) of entities accounted for using the equity method	10	20 179	171 725
Fee and commission income	24	139 102	158 016
Fee and commission expenses	24	(11 940)	(23 380)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	25	(347)	3 475
Gains/(losses) on financial assets and liabilities held for trading, net	25	(817)	26 189
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	25	(7 338)	60 314
Gains/(losses) from hedge accounting, net	25	971	425
Exchange differences (gain/loss), net		1 264	(16 598)
Other operating income	26	18 461	11 465
Other operating expenses	26	(35 507)	(27 018)
GROSS INCOME		**387 063**	**573 244**
Administrative expenses		**(197 663)**	**(211 293)**
Staff expenses	27	(122 248)	(126 828)
Other administrative expenses	28	(75 415)	(84 465)
Depreciation and amortisation		(26 243)	(10 426)
Provisions or reversal of provisions	16	**2 390**	**(2 240)**
Commitments and guarantees given		2 522	(2 272)
Other provisions		(132)	32
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss		**8 335**	**13 590**
Financial assets at amortised cost		8 335	13 590
Impairment/(reversal) of impairment in subsidiaries, joint ventures and associates	10	1 028	
Impairment/(reversal) of impairment on non-financial assets		1 672	
Gains/(losses) on derecognition of non-financial assets, net	30	(1 476)	(1 804)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	31	(70)	946
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**175 036**	**362 017**
Tax expense or income related to profit or loss from continuing operations		(40 586)	(60 174)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**134 450**	**301 843**
Profit/(loss) after tax from discontinued operations	32		**64 214**
Profit/(loss) before tax from discontinued operations			64 955
Tax expense or income related to profit or loss from discontinued operations			(741)
PROFIT/(LOSS) FOR THE PERIOD		**134 450**	**366 057**
PROFIT OR LOSS (-) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	33	**134 450**	**366 057**

Earnings per share (euros)			
Basic	5	0.092	0.251
Diluted	5	0.092	0.251
Earnings per share from continuing operations (euros)			
Basic	5	0.092	0.207
Diluted	5	0.092	0.207
Earnings per share from discontinued operations (euros)			
Basic	5		0.044
Diluted	5		0.044

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	30-06-2019	30-06-2018
PROFIT/(LOSS) FOR THE PERIOD	**134 450**	**366 057**
Other comprehensive income	**(38 017)**	**(29 816)**
Items that will not be reclassified to profit or loss	**(51 956)**	**130 877**
Actuarial gains/ (losses) on defined benefit pension plans	(59 546)	100 473
Share of other recognised income and expense of investments in joint ventures and associates	3 219	650
Fair value changes of equity instruments measured at fair value through other comprehensive income	(11 513)	(169)
Income tax relating to items that will not be reclassified	15 884	29 923
Items that may be reclassified to profit or loss	**13 939**	**(160 693)**
Foreign currency translation	(357)	(173 266)
Translation gains/(losses) taken to equity	(357)	(173 266)
Debt securities classified as fair value financial assets through other comprehensive income	6 033	872
Valuation gains/(losses) taken to equity	8 575	(357)
Transferred to profit or loss	(2 542)	(115)
Other reclassifications		1 344
Share of other recognised income and expense of investments in joint ventures and associates	13 202	(6 517)
Income tax relating to items that may be reclassified to profit or loss	(4 939)	18 218
Total comprehensive income for the period	**96 433**	**336 241**
Attributable to owners of the parent	96 433	336 241

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	Capital	Other equity (Note 19)	Accumulated other comprehensive income (Note 19)	Retained earnings (Note 19)	Other reserves (Note 19)	Treasury shares	Accumulated other comprehensive income relating to discontinued operations	Profit/(loss) for the period	Shareholders equity
Opening balances at 31 December 2017	**1 293 063**	**2 276**	**(163 559)**	**944 225**	**737 934**	**(377)**	**(185)**	**10 209**	**2 823 586**
Effect of changes in accounting policies (IFRS 9 - Note 2.A)			(22 740)	(2 957)	(14 580)				(40 277)
Opening balances at 1 January 2018	**1 293 063**	**2 276**	**(186 299)**	**941 268**	**723 354**	**(377)**	**(185)**	**10 209**	**2 783 309**
Transfer to reserves and retained earnings				108 108	(97 899)			(10 209)	
Dividends distributed by associates				119 983	(119 983)				
Variable Remuneration program ("RVA")		(682)							(682)
Other comprehensive income relating to discontinued operations							185		185
Comprehensive income in the first semester of 2018			(30 001)					366 057	336 056
Other changes in equity				3 868	2 970				6 838
Opening balances at 30 June 2018	**1 293 063**	**1 594**	**(216 300)**	**1 173 228**	**508 441**	**(377)**		**366 057**	**3 125 706**
Reclassification of equity holding in Banco de Fomento Angola				377 880	(377 880)				
Variable Remuneration program ("RVA")		(1 223)		(112)					(1 335)
Sale / purchase of treasury shares						377			377
Comprehensive income in the second semester of 2018			(37 102)					124 581	87 479
Other changes in equity				(2 538)	(3 737)				(6 275)
Opening balances at 31 December 2018	**1 293 063**	**371**	**(253 402)**	**1 548 458**	**126 824**			**490 638**	**3 205 952**
Transfer to reserves and retained earnings				469 330	21 308			(490 638)	
Dividends distributed				(140 000)					(140 000)
Dividends distributed by associates				25 568	(25 568)				
Variable Remuneration program ("RVA")		(371)							(371)
Comprehensive income in the first semester of 2019			(38 017)					134 450	96 433
Other changes in equity				(5)	(488)				(493)
Balances at 30 June 2019	**1 293 063**		**(291 419)**	**1 903 351**	**122 076**			**134 450**	**3 161 521**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant

The Executive Board

BANCO BPI, S.A.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	30-06-2019	30-06-2018		
	Total	Continuing operations	Discontinued operations	Total
Cash flows from/(used in) operating activities				
Interest, commissions and other income received	423 390	400 109	17 450	417 559
Interest, commissions and other expenses paid	(100 248)	(92 630)	(22 323)	(114 953)
Dividends received [1]	48 256	1 471		1 471
Recovery of overdue loans and interest and gains/(losses) on the sale of real estate received in settlement of defaulting loans	6 306	7 326		7 326
Payments to staff and suppliers	(242 219)	(243 657)	(1 961)	(245 618)
Net cash flow from income and expenses	135 485	72 619	(6 834)	65 785
Decreases (increases) in:				
Financial assets held for trading, at fair value through profit or loss, at fair value through other comprehensive income and available-for-sale	(286 440)	1 990 466		1 990 466
Financial assets at amortised cost - Central Banks and other Credit Institutions	173 836	(463 923)		(463 923)
Financial assets at amortised cost - Customers	(377 368)	(2 665 581)		(2 665 581)
Other operating assets	175 411	248 918	560	249 478
Net cash flow from operating assets	(314 561)	(890 120)	560	(889 560)
Increases (decreases) in:				
Financial liabilities measured at amortised cost - Central Banks and other Credit Institutions	(453 249)	1 319 805		1 319 805
Financial liabilities measured at amortised cost - Customers and other	182 606	1 381 513	6 536	1 388 049
Financial liabilities held for trading	22 959	(15 477)		(15 477)
Other operating liabilities	(41 125)	(6 000)	(215)	(6 215)
Net cash flow from operating liabilities	(288 809)	2 679 841	6 321	2 686 162
Contributions to Pension Funds	(10 960)	(13 142)		(13 142)
Income tax paid	(2 154)	39 114	(137)	38 977
	(480 999)	**1 888 312**	**(90)**	**1 888 222**
Cash flows from/(used in) investing activities				
Sale of equity holding in BPI Gestão de Activos		75 000		75 000
Sale of equity holding in BPI GIF		8 000		8 000
Purchase of other tangible assets and intangible assets	(12 005)	(9 013)		(9 013)
Sale of other tangible assets	1 789	2		2
Dividends received from joint ventures and associates	7 752	13 245		13 245
	(2 464)	**87 234**		**87 234**
Cash flows from /(used in) financing activities				
Repurchases and reimbursements of securitisation operations (Note 15)	(116 673)	(213 870)		(213 870)
Issuance of debt securities and subordinated debt (Note 15)	500 000	452		452
Redemption of debt securities (Note 15)	(7 980)	(210 581)		(210 581)
Purchase and sale of own debt securities and subordinated debt (Note 15)	(114)	(693)		(693)
Interest on debt instruments and subordinated debt	(11 977)	(8 425)		(8 425)
Dividends distributed	(140 000)			
	223 256	**(433 117)**		**(433 117)**
Net increase / (decrease) in cash and cash equivalents	**(260 207)**	**1 542 429**	**(90)**	**1 542 339**
Cash and cash equivalents at beginning of the period	2 504 507	1 186 205	363	1 186 568
BPI Gestão de Activos and BPI GIF desconsolidation in April 2018			(273)	(273)
Cash and cash equivalents at the end of the period	**2 244 300**	**2 728 634**		**2 728 634**
Cash and deposits at Central Banks (Note 8)	1 775 497	2 081 672		2 081 672
Deposits at other credit institutions (Note 8)	233 368	178 011		178 011
Cheques for collection and other cash items (Note 8)	63 134	58 753		58 753
Very short term applications (Note 8)	172 302	410 198		410 198
Cash and cash equivalents	**2 244 300**	**2 728 634**		**2 728 634**
Cash and cash equivalents by currency				
EUR	1 962 779	2 272 487		2 272 487
USD	151 687	379 301		379 301
AKZ	67 086			
Other currencies	62 748	76 846		76 846
Cash and cash equivalents	**2 244 300**	**2 728 634**		**2 728 634**

[1] At 30 June 2019, includes 46 003 t.euros dividend received from Banco de Fomento Angola, deposited in AKZ in a current account at BFA in Angola.

The accompanying notes are an integral part of these financial statements

The Registered Accountant
Alberto Pitôrra

The Executive Board
Chairman Pablo Forero
Alexandre Lucena e Vale
António Farinha Morais
Francisco Barbeira
Ignacio Alvarez-Rendueles
João Pedro Oliveira e Costa
José Pena do Amaral
Pedro Barreto

Banco BPI, S.A.

Notes to the condensed interim consolidated financial statements at 30 June 2019

(Amounts in thousand euros - t.euros – save otherwise expressly indicated)

(These notes are a translation of notes originally issued in Portuguese – Note 38)

Notes to the condensed interim consolidated financial statements of Banco BPI at 30 June 2019.

NOTES INDEX PAGE

1. FINANCIAL GROUP

Banco BPI S.A., (Hereinafter referred to as "Banco BPI", "BPI " or "Bank"), with corporate tax identification no. 501 214 534 and registered under the same number in the Commercial registry office of Porto, with registered office at Rua Tenente Valadim, no. 284, in Porto, is an entity focusing its activity on commercial banking in Portugal, and providing financial services and products to Individuals and Corporate and institutional Customers. The Bank serves a Customer base of 1.91 million Customers through a multi-specialist, multi-channel and fully integrated distribution network.

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

In the context of its public tender offer for the acquisition of all outstanding shares of Banco BPI, on 8 February 2017 (date of the "Regulated Market Special Session" conducted to announce the result of the public tender offer), CaixaBank acquired shares representative of 39.0% of Banco BPI voting rights. Considering CaixaBank previously owned 45.5%, its overall share ownership reached 84.5% of Banco BPI's voting rights. From February 2017, Banco BPI is included in the CaixaBank Group consolidation perimeter, and its financial statements are consolidated in accordance with the full consolidation method. Following the acquisition by CaixaBank of an 8.4% stake held by Allianz in the share capital of the Bank, and other acquisitions on the regulated market, on 29 June 2018 Banco BPI's General Meeting approved the Bank's loss of status of public company under the terms and for the purposes of Article 27-1-b) of the Securities Code. A request for approval of the loss of status of public company was submitted to the Securities and Exchange Commission (CMVM), and was approved on 14 December 2018. On 18 December 2018 CaixaBank launched a Tender Offer Aimed at Full Control and Compulsory Acquisition of Banco BPI S.A. shares. As of 31 December 2018, CaixaBank holds 100% of the share capital of Banco BPI.

In April 2018, the holdings in BPI Gestão de Activos and BPI Global Investment Management Company (BPI GIF) were sold to the Caixabank Group. The results generated by these entities in 2018 are presented in a single line of the Income Statement under the heading "Profit/(loss) from discontinued operations".

The winding-up process of Banco BPI Cayman, Ltd and BPI Capital Africa (Proprietary) Limited was concluded in 2018 and these two companies were closed down. These companies were fully held by BPI Madeira.

In 31 December 2018, following the loss of Banco BPI's significant influence over Banco de Fomento Angola (BFA), the equity holding in BFA was reclassified in the consolidated balance sheet from Investments in joint ventures and associates to Financial assets at fair value through other comprehensive income - equity instruments, and revalued at fair value.

In January 2019, the sale of the legal positions related to share brokerage, research and corporate finance activities to Caixabank was realized by Banco Português de Investimento, SA at the book value of the net assets of those activities at the closing date of the transaction (3.9 million euros).

As of 30 June 2019, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders equity [1]	Assets	Profit / (loss) for the period	Direct holding	Effective holding	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	2 989 527	35 699 752	131 904			
Banco Português de Investimento, S.A.	Portugal	23 200	26 180	(197)	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.	Mozambique	253 054	2 374 218	29 230	35.67%	35.67%	Equity method
Asset Management							
BPI (Suisse), S.A.	Switzerland	10 431	12 142	663	100.00%	100.00%	Full consolidation
Venture / development capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	32 319	35 893	(439)	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	901	1 257	(33)		49.00%	Equity method
Insurance							
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	46 729	122 667	4 947	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	190 439	1 326 623	17 101	35.00%	35.00%	Equity method
Other							
BPI, Inc.	USA	748	749	(4)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	170 010	170 060	(11)	100.00%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	90 694	404 637	7 515	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 30 June 2019 (accounting balances before consolidation adjustments).
[1] Includes net profit (loss) for the period.

The financial information provided in the above table was drawn from the unaudited financial statements of the relevant companies as of 30 June 2019. However, the Executive Committee of the Board of Directors of Banco BPI believes that there will be no changes with a significant impact on the Bank's consolidated net profit.

The vehicles through which Banco BPI’s debt securitisation operations are carried out are recorded in the consolidated financial statements according to BPI’s continued involvement in these operations, determined based on the percentage of the equity interest held in the respective vehicles. As of 30 June 2019, BPI held 100% of the equity pieces in those vehicles, which are therefore fully consolidated. Securitisations, all issued through SAGRES - Sociedade de Titularização de Créditos, S.A., are as follows:

- Securitisation of residential mortgage loans - Douro Mortgages No. 2
- Securitisation of residential mortgage loans - Douro Mortgages No. 3
- Securitisation of loans to SMEs - Douro SME No. 2

On 21 June 2019 the notes under the Securitisation of residential mortgage loans - Douro Mortgages No. 1 were reimbursed in advance.

As of 31 December 2018, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders equity [1]	Assets	Profit / (loss) for the period	Direct holding	Effective holding	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	3 048 617	35 786 366	914 311			
Banco Português de Investimento, S.A.	Portugal	24 391	29 688	2 083	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.	Mozambique	236 020	2 187 067	57 310	35.67%	35.67%	Equity method
Asset Management							
BPI (Suisse), S.A.	Switzerland	9 626	11 398	2 936	100.00%	100.00%	Full consolidation
Venture / development capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	30 988	34 731	1 066	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	934	1 194	(61)		49.00%	Equity method
Insurance							
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	46 508	115 247	5 504	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	147 936	1 283 060	(2 669)	35.00%	35.00%	Equity method
Other							
BPI, Inc.	USA	743	744	(5)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	170 023	170 484	18 768	100.00%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	102 391	349 749	15 343	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2018 (accounting balances before consolidation adjustments).

[1] Includes net profit (loss) for the period.

2. BASES OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) Bases of presentation

The condensed interim consolidated financial statements were prepared based on the accounting records of Banco BPI and its subsidiary and associated companies, in conformity with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) as endorsed by the European Union and in force on 1 January 2018, in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and of the Council, transposed into Portuguese legislation through Bank of Portugal Notice no. 5/2015 of 30 December.

The consolidated financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

The consolidated financial statements as of 31 December 2018 have been approved by the Board of Directors of Banco BPI at April 15 and by the general meeting of shareholders at 29 April 2019

In the preparation of the 2018 consolidated annual accounts, the consolidation principles, accounting policies and valuation criteria described in Note 2. Bases of Presentation and Main Accounting Policies, in the 2018 Annual Report, were applied with a view to obtaining a true picture of the financial situation of BPI as at 31 December 2018 as well as of its results, changes in shareholders' equity and cash flows at that date.

Banco BPI’s condensed interim consolidated financial statements for 30 June 2019 were prepared based on the same principles and accounting policies described in Note 2 to the consolidated financial statements at 31 December 2018, applying in particular IAS 34 (Interim financial reporting), except those resulting from regulatory changes that came into effect on 01 January 2019, which are detailed in the section Adoption of standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as endorsed by the European Union.

The condensed interim consolidated financial statements as of 30 June 2019 have been approved by the Executive Committee of the Board of Directors of Banco BPI at 24 September 2019.

In the preparation of the consolidated financial statements, BPI follows the historical cost convention, modified when applicable for the measurement at fair value of:

- Financial assets and liabilities held for trading
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss

- Financial assets at fair value through other comprehensive income
- Derivatives

The figures are presented in thousands of euros (t.euros) unless the use of another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them.

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

At 1 January 2019 the following accounting standards came into force (Note 2. B - Main accounting policies):

Standards and interpretations	Name
IFRS 16	Leases
Amendment to IFRS 9	Accounting treatment options for financial assets with negative compensation features
Amendment to IAS 19	Requirement to use updated assumptions for the calculation of remaining responsibilities
Amendment to IAS 28	Long-term investments in associates and joint ventures
Annual improvements to IFRS 2015-2017	Clarifications to: IAS 23, IAS 12, IFRS 3 and IFRS 11
Interpretation to IFRIC 23	Uncertainty over income tax treatments

On 1 January 2019, Banco BPI adopted the following accounting standards:

- **IFRS 16** (new), 'Leases'. This new standard replaces IAS 17 – 'Leases' with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". The application of IFRS 16 may be retrospective or retrospective modified. The impacts from adoption of this standard are described in this note – Comparability of the Information.

- **IFRS 9** (amendment), 'Prepayment features with negative compensation'. The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortised cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IAS 19** (amendment), Plan amendment, Curtailment or Settlement'. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognise in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognised, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IAS 28** (amendment), 'Long-term interests in Associates and Joint Ventures'. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9 – 'Financial instruments'. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **Improvements to standards 2015 – 2017.** The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IFRIC 23** (new), 'Uncertainty over income tax treatment'. This is an interpretation of IAS 12 - 'Income tax', and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 – 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

The standards (new and amendments) that will become effective, on or after 1 January 2020, not yet endorsed by the EU, are the following:

Standards and interpretations issued by the IASB:

Standards and interpretations	Name	Mandatory application starting on:
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Conceptual structure	Amendments to references to other IFRS	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

- **IFRS 3** (amendment), 'Definition of a business (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed. This amendment will apply to transactions ocurring after its entry into force.

- **IAS 1 and IAS 8** (amendment), 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to obtain a significant part of the information that they need. The future adoption of this amendment is not expected to have significant impact on the Bank's financial statements.

- **Conceptual framework,** 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are retrospective, except if impractical. The future adoption of this amendments is not expected to have significant impacts on the Bank's financial statements.

- **IFRS 17** (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. Banco BPI does not have subsidiaries operating in the insurance business and therefore no effects on the Bank's financial statements are expected as a result of adoption of this standard.

Responsibility for the information and for the main estimates made

The preparation of the consolidated financial statements required to make certain judgements, estimates and assumptions in order to quantify some of the assets, liabilities, revenues, expenses and obligations recognised in them. These judgements, estimates and assumptions relate primarily to:

- Impairment losses on financial assets and the associated guarantees based on their accounting classification imply the adoption of assumptions relating to: i) the consideration of "significant increase in credit risk" (SICR), ii) definition of default; and iii) the inclusion of forward-looking information (Note 8).
- Fair value of some financial assets and liabilities (Note 36). The fair value of unlisted financial assets and derivatives was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 18). Retirement and survivor pension liabilities have been estimated based on actuarial tables, assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on Banco BPI's expectations for the period during which the liabilities will be settled.
- Current and deferred taxes have been recognised based on the tax legislation currently applicable to Banco BPI or on legislation already published for future application (Note 20). Different interpretations of tax legislation can influence the amount of income taxes. Deferred tax assets are recognised based on the assumption of future earnings and taxable income.
- The measurement of investments in joint ventures and associates and determination of the share of profit/(loss) of these investments (Note 10).
- The measurement of provisions and contingent liabilities and respective probability of occurring (Note 16).
- The useful life of tangible assets, including rights-of-use assets and intangible assets (Notes 11 and 12).

Estimates used are based on the best information available at the time of preparation of the annual consolidated financial statements. Subsequent events may require changing the estimates in future periods. In accordance with the applicable legislation and BPI's governance systems, the effects of these changes would be accounted for on a prospective basis in the corresponding income statement, in accordance with IAS 8 - Accounting Policies, change in estimates and errors.

Comparability of the information

The figures for 31 December 2018, as well as for the six-month period ended on 30 June 2018, included in the condensed interim consolidated financial statements, are presented for comparative purposes only.

IFRS 16 – "Leases"

As stated in this note in the "A) Basis of presentation" section, Banco BPI has applied IFRS 16 – "Leases" from 1 January 2019. In this sense, it has decided not to reassess whether an agreement is a lease or contains a lease component in accordance with the criteria of the standard, applying it solely for agreements that had been identified as leases in accordance with the previous standard.

For leases in which the Bank intervenes as lessee, previously classified as operating leases, BPI applied the new standard retroactively, following the modified retrospective approach, which permits to estimate the value of the right of use by reference to the transaction's financial liability, therefore not requiring any adjustment to reserves as at 1 January 2019. In addition, it was decided to exclude from the scope, in line with the simplifications considered in the new regulatory framework, lease agreements whose term expires within the twelve months following the initial application date.

The main type of agreements identified for which a right-of-use asset and a lease liability had to be estimated at 1 January 2019 were real estate leases in connection with Banco BPI's operating activity (office buildings used by the commercial network and central services).

The balance sheet items at 31 December 2018 relative to lease agreements were not restated and therefore their detail is not directly comparable with the information presented for 30 June 2019.

At 1 January 2019 the coming into force of this standard implied the recognition of a right of use in the amount of 89 million euros and a transfer of costs for rents paid, in the amount of 12 million euros, recognised under other administrative expenses up to 31 December 2018, to costs with depreciation and amortisation of tangible assets, in the period ended on 30 June 2019.

The impact of the adoption of IFRS16 on 1 January 2019, by balance sheet caption, was as follows:

	31-12-2018	Adoption IFRS 16	01-01-2019
Tangible assets	67 252	88 705	155 957
Total assets	**31 568 015**	**88 705**	**31 656 720**
Other financial liabilities	230 954	88 705	319 659
Total liabilities	**28 362 063**	**88 705**	**28 450 768**

Restatement of the income statement as of 30-06-2018

In relation to the income statement as of 30 June 2018, the following reclassifications were made between headings:

	30-06-2018 Restated	30-06-2018	Difference
Interest income	246 641	246 641	
Interest expenses	(39 481)	(39 481)	
NET INTEREST INCOME	**207 160**	**207 160**	
Dividend income	1 471	1 471	
Share of profit/(loss) of entities accounted for using the equity method	171 725	171 725	
Fee and commission income	158 016	158 016	
Fee and commission expenses	(23 380)	(23 380)	
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	3 475	3 475	
Gains/(losses) on financial assets and liabilities held for trading, net	26 189	26 189	
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	60 314	60 314	
Gains/(losses) from hedge accounting, net	425	425	
Exchange differences (gain/loss), net	(16 598)	(16 598)	
Other operating income	11 465	5 110	6 355
Other operating expenses	(27 018)	(20 863)	(6 155)
GROSS INCOME	**573 244**	**573 044**	**200**
Administrative expenses	**(211 293)**	**(211 293)**	
Staff expenses	(126 828)	(126 828)	
Other administrative expenses	(84 465)	(84 465)	
Depreciation and amortisation	**(10 426)**	**(10 426)**	
Provisions or reversal of provisions	**(2 240)**	**(2 240)**	
Commitments and guarantees given	(2 272)	(2 272)	
Other provisions	32	32	
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	**13 590**	**13 590**	
Financial assets at amortised cost	13 590	13 590	
Impairment/(reversal) of impairment on non-financial assets		(1 017)	1 017
Gains/(losses) on derecognition of non-financial assets, net	(1 804)	359	(2 163)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	946		946
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**362 017**	**362 017**	
Tax expense or income related to profit or loss from continuing operations	(60 174)	(60 174)	
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**301 843**	**301 843**	
Profit/(loss) after tax from discontinued operations	**64 214**	**64 214**	
Profit/(loss) before tax from discontinued operations	64 955	64 955	
Tax expense or income related to profit or loss from discontinued operations	(741)	(741)	
PROFIT/(LOSS) FOR THE PERIOD	**366 057**	**366 057**	
PROFIT OR LOSS (-) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**366 057**	**366 057**	

- Gains on financial leases, in the amount of 6 355 t.euros, were reclassified from the caption “Gains or (-) losses on derecognition of non-financial assets, net” to the caption “Other operating income”.
- Losses on financial leases, in the amount of (6 104) t.euros, and other losses, (51) t.euros, were reclassified from the caption “Gains or (-) losses on derecognition of non-financial assets, net” to the caption “Other operating expenses”
- Allowances net of impairment for assets received in settlement of defaulting loans and other tangible assets (1 017) t.euros, were reclassified from the caption “Impairment/(reversal) of impairment on non-financial assets” to “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.
- Gains and losses on assets received in settlement of defaulting loans and other tangible assets, 1 963 t.euros, were reclassified from the caption “Gains/(losses) on derecognition of non-financial assets, net” to the caption “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.

B) Main accounting policies

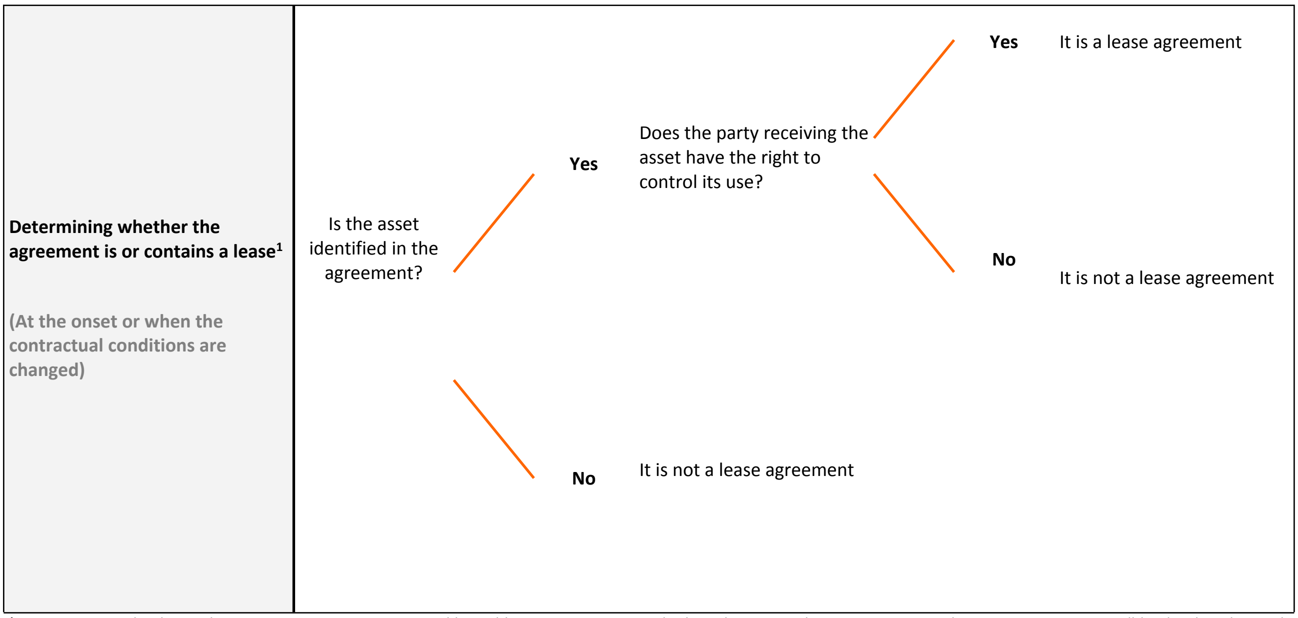
Except as indicated below, Banco BPI's condensed interim consolidated financial statements as of 30 June 2019 were prepared using the same principles, accounting policies and criteria used for the 2018 consolidated annual accounts.

All accounting principles and measurement bases that could have a significant effect were applied in the preparation of the condensed interim consolidated financial statements.

For all the areas not stated in these condensed interim consolidated financial statements, the definitions, criteria and policies described in Note 2 of the 2018 consolidated annual report remain applicable.

2.1. Leases

During the first quarter of 2019, the Bank adopted IFRS 16 “Leases”. As a result of this, an assessment has been carried out on the accounting policies in the areas indicated in this note, applicable from 1 January 2019. The main changes in the Bank's accounting policies, deriving from the adoption of IFRS16, are set out below:



[1] For agreements that have a leasing component, one or more additional leasing components and others that are not leasing components, the agreement payment will be distributed to each leasing component on the basis of the relative price, regardless of the leasing component, based on aggregate price, and on the basis of the independent aggregate price of the non-leasing components.

Lessor

	Finance leases	Operating leases
	Operations where, substantially, all the risks and rewards inherent to the leased asset are **transferred to the lessee.**	Operations where, substantially, all the risks and rewards inherent to the leased asset, as well as its ownership, **are maintained by the lessor.**
Recognition as lessor (According to the economic purpose of the operation, regardless of its legal form)	- Are recognised as a loan granted under the balance sheet caption “Financial assets at amortised cost” as the sum of the present value of all payments receivable by the lessee during the period of the leasing plus any non-guaranteed residual amount pertaining to the lessor. - Include fixed payments (minus payments made to the lessor) as well as variable payments determined in accordance with an index or rate, and also the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and penalties for termination by the lessee if the term of the lease reflects the exercise of the termination option.	The acquisition cost of the leased assets is recognised in the **“Tangible assets”** caption of the **balance sheet.**
	The financial income obtained as a lessor is recognised in the income statement caption **“Interest income”.**	- They are **depreciated** using the same criteria as for the remaining tangible assets for own use. - Income is recognised in the income statement caption **“Other operating income”.**

Lessee

<table>
<tr><td rowspan="5">Recognition as lessee</td><td>Term of the agreement</td><td colspan="4">Fixed-term agreements, with or without option of early termination by the Bank (with only a non-significant compensation): As a general rule, the lease term matches the initial agreement duration.
For automatically renewable (annually or half-yearly) property leasing agreements with Banco BPI's Pension Fund, a term of 5 years[1] was assumed, starting on 1 January 2019, taking into account that the pension fund in an entity related with the Bank, the agreements' automatic and constant renewal, and the fact that there is no economic incentive for the pension fund to exercise the termination options provided for in said agreements.

Open-end agreements: For these agreements, and based on the terms of Law 13/2019, the lessor may terminate the agreement by notifying the bank (the lessee) not less than 5 years in advance of the date on which he intends to terminate the agreement. Therefore a term of 5 years was considered for these agreements, starting on 1 January 2019.</td></tr>
<tr><td rowspan="4">Accounting record</td><td></td><td></td><td>At the start date of the agreement</td><td>Subsequently</td></tr>
<tr><td rowspan="2">Agreements where the underlying asset is not of low value (set at 6 000 euros)</td><td>Lease liability ("Other financial liabilities")</td><td>Valued based on the present value of future lease payments not yet made on this date, using as discount rate the interest rate[2] that the lessee would have to pay to borrow, with a similar maturity and guarantee, the funds necessary to obtain an asset of similar value to that of the right-of-use asset in a similar economic context.</td><td>Valued at amortised cost using the effective interest rate method and revalued (with the corresponding adjustment to the related right-of-use asset) when there is a change in future payments due to renegotiation, index or rate changes or in the event of a re-evaluation of the agreement's options.</td></tr>
<tr><td>Right-of-use asset ("Tangible assets")</td><td>Valued at cost and includes the initial valuation of the lease liability, payments made on or before the commencement date, initial direct costs, costs of dismantling or rehabilitation when there is an obligation to bear them.</td><td>Amortised on a straight-line basis and subject to impairment losses, in accordance with the treatment established for the remaining tangible and intangible assets.</td></tr>
<tr><td colspan="2">Remaining agreements</td><td colspan="2">Accounted for as operating leases</td></tr>
</table>

[1] The 5-year term is in line with Banco BPI's strategic guidelines on the renewal of current lease agreements, taking into account the Bank and industry context, from the standpoint of business risk management and management of the fixed assets associated to the agreements.

[2] The Bank calculated these interest rates taking as a reference the cost of debt instruments, adding to the base market curve (swaps vs 6M Euribor) the covered and senior debt spreads for BPI.

The implementation of IFRS16 involved making estimates on the duration of agreements and decisions on the disaggregation of components related to services that were included in the formalised lease agreements.

3. RISK MANAGEMENT

3.1. Overview and risk factors

The following risk factors had a significant influence on BPI's management in the 1st half of 2019, due to their impact during the period and their long-term implications for the Bank:

Macroeconomic environment

- The global economy maintains a considerable level of uncertainty, the main source of which has been the persistence of trade strains between the U.S. and China and their potential impact on the European Union economy. The meeting at the end of June between Trump and Xi could have been a starting point for the resumption of negotiations, however geopolitical uncertainty is likely to linger over the medium term.

- In the Eurozone the activity indicators continue to point to moderate economic growth, even if the first quarter GDP growth was higher than expected. On the other hand, the European scenario remains marked by the difficulties in reaching an exit agreement for the United Kingdom (the Brexit), and the risk of a disorderly Brexit has increased.

- The Portuguese economy stands out from the European feeble economic growth context, posting lower growth rates, but still close to 2%. Nevertheless, high geopolitical uncertainty and the moderate growth of our European partners could constrain the pace of Portuguese exports, and a slower than initially estimated pace of growth should be expected for the second half of the year. This context will likely deepen the goods account deficit, with the vigour of tourism being insufficient to prevent a widening of the external deficit in 2019. Robust growth and funding costs at record lows, together with a budget consolidation policy, should support the path of sustained reduction in the public debt ratio.

Regulatory Framework

The main regulatory developments and public consultations in the area of risk are outlined below:

- Approval and publication in the Official Journal of the European Union (OJ) of the “Proposal of CRDV Package”: on 16 April the European Union approved the review, started in November 2016 by the European Commission, of the so-called “banking package”, which covers the CRD V, CRR II, BRRD II and SRMR II texts[1]. The review basically transposes the standards agreed by the Basel Committee on Banking Supervision (prior to the 2017 agreement on the completion of Basel III, the adoption of which will be addressed from the second half of 2019). The aforementioned legislative package came into force on 27 June 2019, with December 2020 as the deadline for the adoption of the directives, whereas the majority of the changes included in the CRR II regulation are applicable from June 2021.

- Brexit, Contingency Action Plan: at the beginning of 2019, a set of legislative measures were adopted at national level to prepare for a no-deal Brexit scenario, namely: Law no 27-A/2019 of 28 March, which approves contingency measures to be applied in the event of a no-deal exit of the United Kingdom from the European Union, and Council of Ministers Resolution no. 48/2019, which identifies preparedness and contingency measures which the Portuguese Government proposes to adopt to minimize the effects of the United Kingdom's departure from the European Union on economic agents, companies, investment and tourism. In addition, the European Banking Association (EBA), the Prudential Regulation Authority (PRA), and the Financial Conduct Authority (FCA) have agreed on a template for a Memorandum of Understanding (MoU) establishing the bases for cooperation and information exchange between the EU and UK authorities.

- Exposures associated with high risks: the EBA published its final guidelines, applicable from 1 July 2019, regarding the types of exposures to be associated with particularly high risk under Article 128 (3) of Regulation (EU) 575/2013 (CRR), which should be assigned a risk weight of 150% under the standardised approach.

- On 25 February the EBA published the new Guidelines on Outsourcing, which update the previous guidelines on Outsourcing, published in 2006 (CEBS), and incorporate the recommendations of December 2017 on outsourcing to cloud service providers. These guidelines apply as of 30 September 2019, and affect all outsourcing contracts.

- On 25 May the EBA completed a consultation on its Guidelines on Credit Risk Mitigation techniques for banks that use internal models with own estimates of LGD. The guidelines aim to eliminate existing differences in risk mitigation techniques, deriving from supervisory practices or from choices specific to the entity.

[1] The acronyms correspond to Capital Requirements Regulation and Directive (CRR/CRD), Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR), respectively.

- On 6 March the EBA published the final version of its Guidelines for the estimation of LGD appropriate for an economic downturn (*Downturn LGD estimation*), supplementing the EBA Guidelines on PD and LGD estimation, which will apply from 1 January 2021.

- On 13 March the consultation period for the EBA Guidelines on ICT and security risk management ended. These guidelines establish the requirements applicable to credit institutions, investment firms and payment services providers in relation to the mitigation and management of their ICT and security risks.

- Publication in the Official Journal of the European Union of Regulation 2019/630, amending Regulation (EU) 575/2013 (CRR) as regards minimum loss coverage for non-performing exposures (NPLs), or prudential backstop. This regulation establishes the deductions to own funds which must be made if the minimum coverage levels for new loans that become NPLs are not reached. The amended regulation came into force on 26 April 2019.

- On 18 June, the extension of the mandate of the Technical Expert Group on Sustainable Finance (TEG), which aims to assist the European Commission in the implementation of the Action Plan for sustainable finance, was announced. Simultaneously, within the same framework, the European Commission has published new Guidelines on climate-related disclosures, as part of its Action Plan for Sustainable Finance.

- On 19 June the EBA launched the consultation process on its draft Guidelines on Loan Origination and Monitoring with the aim of ensuring that the institutions have robust and prudent standards for credit risk taking, management and monitoring. The proposed guidelines ensure alignment with the regulations in force on consumer protection and the prevention of money laundering.

- Enactment on 6 August 2019 of the Framework Law on Housing, which establishes, *inter alia*, that "residential mortgage borrowers in a very difficult economic situation may benefit from a legal protection regime that, among others, provides for the possibility of debt restructuring, transfer in lieu of payment, or alternative measures to foreclosure". In this context "the transfer in lieu of payment of the debt, extinguishing the debtor's obligations regardless of the value attributed to the property for this purpose" can only be contemplated if it has been contractually established, the credit institution being responsible for providing this information prior to entering into the contract.

- Publication in the *Diário da República* of Law 23/2019, of 13 March 2019, which established full deposit protection against senior unsecured debt instruments in the event of a bank resolution.

- Finally, on 12 February 12, publication in *Diário da República* of Law No. 15/2019, which introduces changes to the General Regime of Credit Institutions and Financial Companies, clarifying the powers of the Assembly of the Republic's Parliamentary Committees of Inquiry and establishing the duties of transparency and scrutiny to which capitalisation, resolution, nationalisation or liquidation operations of credit institutions resorting, directly or indirectly, to public funds, will be subject. Article 6 of this Law imposed on Banco de Portugal the obligation to prepare and deliver to the Assembly of the Republic an Extraordinary Report containing a set of "Relevant Information" concerning the "Covered Credit Institutions" in which, in the twelve years prior to the publication of that Law, any of the situations provided for therein have occurred.

3.2. Credit risk

3.2.1. Overview

Credit risk is one of the most significant risks faced in Banco BPI 's operations. Further information about credit risk, namely regarding the management process for the various credit segments, can be found in the Risk Management section of the 2018 Annual Report.

Banco BPI receives, among others, the following collateral within the scope of its loan granting business:

- Mortgages on own housing;
- Mortgages on third-party property;
- Deposit of assets;
- Pledge of securities;
- Guarantees provided by other credit institutions.

At 30 June 2019 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Maximum exposure to credit risk	Impairment	Credit conversion factors (CCF)[1]
Cash balances in other Credit Institutions[2]	233 368		
Financial assets held for trading			
Equity instruments	81 581		
Debt securities	12 492		
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			
Equity instruments	151 403		
Debt securities	63 421		
Financial assets at fair value through other comprehensive income			
Equity instruments	586 130		
Debt securities	1 557 338		
Financial assets at amortised cost			
Debt securities	3 690 245	(4 461)	
Loans and advances - Central Banks and other Credit Institutions	800 550	0	
Loans and advances - Customers	21 971 775	(507 241)	
Trading derivatives and hedge accounting	195 450		
Total active exposure	29 343 753	(511 702)	
Total guarantees given and commitments	4 313 373	(20 690)	(3 347 361)
Total	33 657 126	(532 392)	(3 347 361)

[1] CCF – Credit Conversion Factor for guarantees given and credit commitments.

[2] Does not include cash and cash balances in Central Banks.

At 31 December 2018 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Maximum exposure to credit risk	Impairment	Credit conversion factors (CCF)[1]
Cash and cash balances in other credit institutions [2]	223 992		
Financial assets held for trading			
Equity instruments	81 171		
Debt securities	13 893		
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			
Equity instruments	168 594		
Debt securities	59 988		
Financial assets at fair value through other comprehensive income			
Equity instruments	597 740		
Debt securities	1 277 420		
Financial assets at amortised cost			
Debt securities	3 521 342	(4 528)	
Loans and advances - Central Banks and other Credit Institutions	790 928	(269)	
Loans and advances - Customers	21 897 593	(533 123)	
Trading derivatives and hedge accounting	191 673		
Total active exposure	28 824 334	(537 920)	
Total guarantees given and commitments	4 294 159	(23 212)	(3 277 646)
Total	33 118 493	(561 132)	(3 277 646)

[1] CCF – Credit Conversion Factor for guarantees given and credit commitments.

[2] Does not include cash and cash balances in central banks.

The maximum exposure to credit risk is the gross carrying amount, except in the case of derivatives, where it is the exposure value according to the mark-to-market method, which is calculated as the sum of current and potential exposures:

- Current exposure: the highest value between zero and the market value of an operation or of a portfolio of operations with a counterparty which can be offset in the event of default by the counterparty, assuming that nothing from the value of the operations will be recovered in the event of insolvency or liquidation of the counterparty, except for the collateral received.
- Potential risk: change in the credit exposure as a result of future changes in the valuation of an operation or in the valuation of operations that can be offset with a counterparty during the residual term to maturity.

Concerning BPI's commercial activity, the Bank gears its lending activity towards meeting the financing needs of families (consumer and residential mortgage loans) and businesses, seeking to maintain a medium-low risk profile, as established in the RAF and the 2019-2021 Strategic Plan.

BPI shares with the CaixaBank Group the principles and policies that support credit risk management, which may be summarised as follows:

- An adequate relationship between income and the commitments assumed by the consumers.
- Documentary proof of the information provided by the borrower concerning its solvency.
- Adequate pre-contractual information about the personal circumstances and characteristics of each Customer and operation.
- Adequate independent assessment of real estate collateral.

Risk mitigation

Lending is always based on the assessment of the Customer's capacity to generate sufficient funds for the timely service of the debt, and on a risk-adjusted pricing policy. The requirement of personal or real guarantees, as a risk mitigator, is always considered at the time of granting a loan.

In the decision to require guarantees, several factors are weighted, namely the rating assigned to the Customer, and the nature and term of the operations. The term in particular is one of the more sensitive factors due to the uncertainty it entails, which is why medium and long-term transactions usually have associated real guarantees.

The rules on the acceptance of guarantees, control of their formalisation, and monitoring of their value during the transactions lifetime, through regular evaluations and their release are set out in specific internal regulations.

The guarantees foreseen in the internal regulations are those typified in the law, the most usual being personal guarantees (of individuals or companies) by endorsement or security, and in the case of real guarantees, the mortgage, the pledge of assets and the financial pledge. Financial instruments such as derivatives or repos are covered by standard agreements that establish the daily exchange of collaterals, guaranteeing coverage of the counterparty risk.

All guarantees are recorded in a dedicated software application. The funds are only made available to the Customer after or upon verification of the guarantees provided.

The classification by stage of loans to Customers and associated guarantees is as follows:

	30-06-2019		
	Gross amount	**Allowance for Impairment loss**	**Guarantees[1]**
Stage 1:	**19 534 263**	**(26 597)**	**10 556 340**
No associated collateral	6 412 936	(11 766)	0
With real estate collateral	11 238 085	(8 169)	10 149 111
With other collateral	1 883 242	(6 662)	407 229
Stage 2:	**1 384 420**	**(50 230)**	**739 154**
No associated collateral	315 169	(13 029)	0
With real estate collateral	831 527	(27 937)	712 790
With other collateral	237 724	(9 264)	26 364
Stage 3:	**966 862**	**(428 608)**	**320 339**
No associated collateral	203 586	(112 810)	0
With real estate collateral	631 611	(257 139)	315 682
With other collateral	131 665	(58 659)	4 657
	21 885 545	**(505 435)**	**11 615 833**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan, except for stage 3 operations, where fair value is calculated.

	31-12-2018		
	Gross amount	**Allowance for Impairment loss**	**Guarantees[1]**
Stage 1:	**19 248 322**	**(25 133)**	**10 447 424**
No associated collateral	6 712 857	(13 227)	0
With real estate collateral	11 025 423	(6 934)	10 081 688
With other collateral	1 510 042	(4 972)	365 736
Stage 2:	**1 472 225**	**(52 875)**	**787 051**
No associated collateral	355 715	(14 362)	0
With real estate collateral	833 868	(28 610)	726 602
With other collateral	282 642	(9 903)	60 449
Stage 3:	**1 017 326**	**(453 659)**	**352 535**
No associated collateral	205 964	(123 838)	0
With real estate collateral	678 130	(270 645)	348 951
With other collateral	133 232	(59 176)	3 584
	21 737 873	**(531 667)**	**11 587 010**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan, except for stage 3 operations, where fair value is calculated.

Restructuring policies

A description of the restructuring policies is given in Note 2.8. Refinancing and restructuring operations in the 2018 annual report.

Restructured loans:

The breakdown of refinancing by industry sector is as follows:

30-06-2019

	Total						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Public administrations	2	376	1	6 892		6 892	
Other financial corporations and individual entrepreneurs (financial business)	9	188					(66)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 714	118 185	410	342 649	144 235	77 543	(180 284)
Individuals	4 298	32 973	6 423	221 716	216 619	573	(75 439)
Total	**6 023**	**151 722**	**6 834**	**571 257**	**360 854**	**85 008**	**(255 789)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	4	151					(64)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 144	67 969	284	232 426	119 042	62 105	(175 343)
Individuals	2 344	20 908	5 124	172 447	167 919	282	(73 447)
Total	**3 492**	**89 028**	**5 408**	**404 873**	**286 961**	**62 387**	**(248 854)**

Note: Includes securitised loans, customer loans, guarantees, and stage 3 loans

31-12-2018

	Total						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Public administrations	24	6 340	4	11 819		11 818	
Other financial corporations and individual entrepreneurs (financial business)	7	181	1	19	19		(70)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 969	164 813	427	370 640	152 738	75 958	(199 514)
Individuals	4 638	33 505	6 767	234 214	228 596	583	(76 543)
Total	**6 638**	**204 839**	**7 199**	**616 692**	**381 353**	**88 359**	**(276 127)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Maximum amount of the collateral that can be considered: Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	4	106	1	19	19		(66)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 389	86 480	310	249 915	127 707	61 883	(194 038)
Individuals	2 448	21 423	5 398	182 642	177 721	230	(74 320)
Total	**3 841**	**108 009**	**5 709**	**432 576**	**305 447**	**62 113**	**(268 424)**

Note: Includes securitised loans, customer loans, guarantees, and stage 3 loans

The detail of guarantees received to secure restructured loans[1] at 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Value of collateral	**826 332**	**890 010**
Of which: Stage 3 guarantee	595 903	634 501
Value of other guarantees	**336 756**	**340 185**
Of which: Stage 3 guarantee	310 754	310 229
	1 163 088	**1 230 195**

[1] The value of the guarantee is the maximum amount of the guarantee received, except for stage 3 operations, where it is considered at fair value.

The movement in restructured loans is as follows:

	30-06-2019	30-06-2018
Opening balance	**545 404**	**987 183**
Restructurings in the period	12 031	132 294
Debt amortisation	(55 459)	(153 752)
Property recovered or foreclosed	(638)	(669)
Other changes	(34 148)	(267 574)
Of which:		
Exit from restructuring	(30 421)	(192 517)
Loan sales	(1 926)	(40 800)
Balance at end of period	**467 190**	**697 482**

3.2.2. Concentration Risk

In Banco BPI's Risk Catalogue, concentration risk is conceptually included within credit risk and is calculated according to CaixaBank Group's best practices.

Banco BPI's Risk Appetite Framework (RAF) uses metrics to systematically identify overall exposure to a particular Customer or geographic location, as well as appetite limits to concentration risk.

Concentration in customers or in "large exposures"

As part of the risk-taking process, the Bank monitors compliance with the regulatory limits (25% of own funds) as well as the limits to concentration risk appetite (according to the objectives defined in the RAF). At the close of the first semester of 2019, there was no breach of the defined limits.

Concentration by geographic location

The breakdown of risk of financial assets and guarantees and sureties provided, by geographical location, is as follows:

30-06-2019

	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	3 265 565	1 950 384	549 520	765 661
Public sector	5 033 118	2 974 706	1 843 292	215 120
Central government	3 842 180	1 783 768	1 843 292	215 120
Other public administrations	1 190 938	1 190 938		
Other financial corporations and individual entrepreneurs (financial business)	717 660	356 848	293 255	67 557
Non-financial corporations and individual entrepreneurs (non-financial business)	10 445 518	9 939 191	452 148	54 179
Real estate construction and development	531 740	527 196	3 868	676
Civil construction	257 135	246 074	11 061	
Other	9 656 643	9 165 921	437 219	53 503
Large companies	5 762 238	5 316 871	411 557	33 810
Small and medium-sized companies	3 894 405	3 849 050	25 662	19 693
Individuals	12 379 367	12 309 740	17 006	52 621
Homes	10 952 103	10 940 478	2 304	9 321
Consumer spending	1 038 603	992 985	12 378	33 240
Other	388 661	376 277	2 324	10 060
Total	**31 841 228**	**27 530 869**	**3 155 221**	**1 155 138**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2018

	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	3 657 909	2 366 910	567 216	723 783
Public sector	4 661 776	2 729 873	1 710 069	221 834
Central government	3 583 269	1 651 366	1 710 069	221 834
Other public administrations	1 078 507	1 078 507		
Other financial corporations and individual entrepreneurs (financial business)	813 544	364 315	387 047	62 182
Non-financial corporations and individual entrepreneurs (non-financial business)	10 177 278	9 628 010	512 203	37 065
Real estate construction and development	511 879	506 757	4 248	874
Civil construction	265 659	255 714	9 945	
Other	9 399 740	8 865 539	498 010	36 191
Large companies	5 528 403	5 048 720	455 185	24 498
Small and medium-sized companies	3 871 337	3 816 819	42 825	11 693
Individuals	12 353 896	12 281 310	17 067	55 519
Homes	11 001 828	10 987 944	2 804	11 080
Consumer spending	958 897	913 961	11 703	33 233
Other	393 171	379 405	2 560	11 206
Total	**31 664 403**	**27 370 418**	**3 193 602**	**1 100 383**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

Concentration by industry sector

Risk concentration by economic sector is subject to BPI's RAF limits (level 1), differentiating between private sector economic activities and public sector financing.

At 30 June 2019 and 31 December 2018, the breakdown of credit by industry sector, type of collateral and loan to value (LTV) was as follows:

30-06-2019

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans. Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	770 241							
Public sector	1 245 997	3 707	300 756	60 385	73 328	92 345	53 641	24 764
Central government	366 550		8 726					8 726
Other public administrations	879 447	3 707	292 030	60 385	73 328	92 345	53 641	16 038
Other financial corporations and individual entrepreneurs (financial business)	186 922	6 256	801	5 599	357	317	11	773
Non-financial corporations and individual entrepreneurs (non-financial business)	7 546 733	1 480 443	1 592 378	747 581	459 204	413 742	276 330	1 175 964
Real estate construction and development	386 983	201 574	31 925	102 656	81 223	21 216	9 016	19 388
Civil construction	117 523	5 263	33 489	4 047	2 118	1 663	1 302	29 622
Other	7 042 227	1 273 606	1 526 964	640 878	375 863	390 863	266 012	1 126 954
Large companies	3 430 330	446 240	1 182 392	391 596	100 647	154 749	106 574	875 066
Small and medium-sized companies	3 611 897	827 366	344 572	249 282	275 216	236 114	159 438	251 888
Individuals	12 356 354	10 917 572	284 113	2 476 068	3 388 014	4 365 965	859 517	112 121
Homes	10 952 103	10 866 696	56 482	2 443 547	3 357 052	4 298 649	757 027	66 903
Consumer spending	1 038 603	75	177 340	7 059	16 425	43 051	80 593	30 287
Other	365 648	50 801	50 291	25 462	14 537	24 265	21 897	14 931
Total	**22 106 247**	**12 407 978**	**2 178 048**	**3 289 633**	**3 920 903**	**4 872 369**	**1 189 499**	**1 313 622**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

31-12-2018

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans. Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	758 235							
Public sector	1 219 795	3 878	327 232	61 320	82 842	91 762	65 992	29 194
Central government	367 500		13 026					13 026
Other public administrations	852 295	3 878	314 206	61 320	82 842	91 762	65 992	16 168
Other financial corporations and individual entrepreneurs (financial business)	216 236	7 293	32	4 335	40	2 099	16	835
Non-financial corporations and individual entrepreneurs (non-financial business)	7 408 745	1 253 511	1 228 045	517 877	378 942	347 361	239 429	997 947
Real estate construction and development	376 074	120 390	84 030	91 694	13 589	18 260	5 811	75 066
Civil construction	111 454	6 361	31 820	1 507	4 832	57	761	31 024
Other	6 921 217	1 126 760	1 112 195	424 676	360 521	329 044	232 857	891 857
Large companies	3 326 480	361 485	825 970	192 804	111 135	109 732	91 045	682 739
Small and medium-sized companies	3 594 737	765 275	286 225	231 872	249 386	219 312	141 812	209 118
Individuals	12 330 456	10 966 551	296 555	2 267 439	3 050 262	4 441 386	1 363 255	140 764
Homes	11 001 828	10 912 508	60 040	2 238 635	3 018 819	4 371 757	1 253 880	89 457
Consumer spending	958 897	51	187 947	6 355	14 241	42 950	87 114	37 338
Other	369 731	53 992	48 568	22 449	17 202	26 679	22 261	13 969
Total	**21 933 467**	**12 231 233**	**1 851 864**	**2 850 971**	**3 512 086**	**4 882 608**	**1 668 692**	**1 168 740**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

Concentration by sovereign risk

Banco BPI's exposure to entities with sovereign risk is subject to the general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile. Therefore, metrics and limits of exposure to the Portuguese public sector and to the public sector of all other countries were established in the Risk Appetite Framework. The Bank's exposure to entities with sovereign risk is for the most part concentrated in Portugal, Spain and Italy.

Exposure to entities with sovereign risk

The table below shows the breakdown of BPI's exposure to sovereign debt:

30-06-2019

Country	Residual maturity	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost[1]
Portugal	Less than 3 months		225 237	3 715
	3 months to 1 year		576 565	62 442
	1 to 2 years	1 045		577 499
	2 to 3 years	1 155		68 000
	3 to 5 years	368	137 294	89 220
	5 to 10 years			461 337
	More than 10 years			628 607
		2 568	**939 096**	**1 890 820**
Spain	2 to 3 years		309 436	710 016
	3 to 5 years		308 806	
			618 242	**710 016**
Italy	1 to 2 years			501 316
				501 316
Other	1 to 2 years			49 486
	3 to 5 years			17 199
	5 to 10 years			77 016
	More than 10 years			78 283
				221 984
		2 568	**1 557 338**	**3 324 136**

[1] Does not include interest receivable.

31-12-2018

Country	Residual maturity	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost[1]
Portugal	Less than 3 months		50 044	10 319
	3 months to 1 year		740 618	18 589
	1 to 2 years			53 415
	2 to 3 years	4 167		550 382
	3 to 5 years	365		143 777
	5 to 10 years			475 306
	More than 10 years			533 141
		4 532	**790 662**	**1 784 929**
Spain	2 to 3 years		307 939	712 423
			307 939	**712 423**
Italy	Less than 3 months		178 819	
	1 to 2 years			401 054
	2 to 3 years			100 698
			178 819	**501 752**
Other	2 to 3 years			49 486
	3 to 5 years			9 698
	5 to 10 years			83 434
	More than 10 years			78 283
				220 901
		4 532	**1 277 420**	**3 220 005**

[1] Does not include interest receivable.

Concentration by credit quality

The tables below show the concentration of credit risk by rating of exposures in debt securities and loans and advances held by the Bank:

Credit risk quality (rating)

The breakdown of debt securities by rating at 30 June 2019 and 31 December 2018 is as follows:

30-06-2019

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
A+/A/A-				46 070	46 070
BBB+/BBB/BBB-	2 568	1 044	1 557 338	1 828 259	3 389 209
"Investment grade"	**2 568**	**1 044**	**1 557 338**	**1 874 329**	**3 435 279**
	21%	2%	100%	51%	65%
BB+/BB/BB-		57 040		355 254	412 294
No rating	9 924	5 337		1 456 201	1 471 462
"Non-investment grade"	**9 924**	**62 377**		**1 811 455**	**1 883 756**
	79%	98%		49%	35%
	12 492	**63 421**	**1 557 338**	**3 685 784**	**5 319 035**

31-12-2018

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
A+/A/A-				49 950	49 950
BBB+/BBB/BBB-	4 532	1 079	1 277 420	1 797 552	3 080 583
"Investment grade"	**4 532**	**1 079**	**1 277 420**	**1 847 502**	**3 130 533**
	33%	2%	100%	53%	64%
BB+/BB/BB-		53 868		269 991	323 859
No rating	9 361	5 041		1 399 321	1 413 723
"Non-investment grade"	**9 361**	**58 909**		**1 669 312**	**1 737 582**
	67%	98%		47%	36%
	13 893	**59 988**	**1 277 420**	**3 516 814**	**4 868 115**

The breakdown of loans and advances to central banks and other credit institutions by rating class is as follws:

			30-06-2019		31-12-2018	
Exposures			**800 550**		**790 659**	
	External Rating	AAA to AA-	83 472	10%	89 924	11%
		A+ to A-	228 718	29%	212 214	27%
		BBB+ to BBB-	462 871	58%	479 019	60%
		BB+ to BB-	25 489	3%	9 502	1%
			800 550	**100%**	**790 659**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

The breakdown of loans and advances to Customers by rating class is as follows:

		30-06-2019		31-12-2018	
Exposures *Non-Default*		**20 922 018**	**97%**	**20 799 221**	**97%**
External Rating	AAA to AA-	63 027	0%	111 511	1%
	A+ to A-			3 124	0%
	BBB+ to BBB-	929 791	4%	870 114	4%
	BB+ to BB-	37 869	0%	40 694	0%
	B+ to B-	48 701	0%	51 749	0%
	< B-	209	0%	34	0%
Rating Project Finance	Strong	65 000	0%	73 565	0%
	Good	657 346	3%	826 533	4%
	Satisfactory	396 682	2%	244 784	1%
	Weak	17 424	0%	17 891	0%
Rating Companies	E01 to E03	793 693	4%	875 301	4%
	E04 to E06	2 084 763	10%	1 973 240	9%
	E07 to E10	1 017 716	5%	972 417	5%
	ED1 to ED2	587	0%	907	0%
Rating Small businesses	N01 to N03	155 852	1%	76 262	0%
	N04 to N06	821 284	4%	735 409	3%
	N07 to N10	629 805	3%	800 144	4%
	ND1 to ND2	4 452	0%	3 162	0%
Scoring	01 to 03	4 312 886	20%	4 010 775	19%
	04 to 06	4 855 978	23%	5 083 357	24%
	07 to 10	2 627 926	12%	2 646 132	12%
	D01 to D02	22 565	0%	17 031	0%
No rating		1 378 463	6%	1 365 085	6%
Exposures *Default*		**542 516**	**3%**	**565 249**	**3%**
		21 464 534	**100%**	**21 364 470**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

CRR default criterion (Regulation (EU) 575/2013)

3.2.3. Relevant information regarding financing for property construction and development, home purchasing, and foreclosed assets

Relevant information regarding financing for property development, home purchasing, and foreclosed assets is provided in the following section.

Financing for real estate construction and development

The tables below show the level of financing provided to real estate construction and development (does not include advances).

30-06-2019

	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate construction and development	440 245	(53 262)	386 983	158 144
Of which: Stage 3	63 178	(48 095)	15 083	2 371

31-12-2018

	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate construction and development	430 347	(54 273)	376 074	229 498
Of which: Stage 3	64 959	(49 331)	15 628	2 672

The following table presents the value of financial guarantees given for real estate construction and development, which indicates the maximum level of exposure to credit risk (i.e. the amount the Bank would have to pay if the guarantee were called on).

	30-06-2019		31-12-2018	
	Gross amount	**Impairments and provisions**	**Gross amount**	**Impairments and provisions**
Guarantees provided				
Real estate construction and development	144 264	5 943	135 490	5 972

The table below provides information on guarantees received for real estate development loans, broken down by classification of customer insolvency risk:

	30-06-2019		31-12-2018	
	Real estate mortgage	**Other collateral**	**Real estate mortgage**	**Other collateral**
Real estate construction and development	**640 187**	**58 464**	**468 950**	**46 194**
of which: Non-performing	80 688	7	80 116	63

Home loans

The table below shows the evolution of home loans:

	30-06-2019[2]		31-12-2018[2]	
Not real estate mortgage secured	85 407	1%	89 320	1%
Of which: Default [1]	14 783		12 155	
Real estate mortgage secured	10 866 695	99%	10 912 508	99%
Of which: Default [1]	317 411		344 341	
Total home loans	**10 952 102**	**100%**	**11 001 828**	**100%**

[1] CRR default criterion (Regulation (EU) 575/2013)

[2] Exposure net of impairments (the amounts shown include accrued interest)

The table below shows the amount of residential mortgage loans, by LTV brackets:

	30-06-2019 [1]		31-12-2018 [1]	
	Total	**Of which: Default [2]**	**Total**	**Of which: Default [2]**
LTV ≤ 40%	2 441 850	46 162	2 237 156	41 331
40% < LTV ≤ 60%	3 352 736	68 898	3 014 636	66 139
60% < LTV ≤ 80%	4 284 747	109 914	4 357 477	113 699
80% < LTV ≤ 100%	723 900	53 344	1 216 816	70 860
LTV > 100%	63 462	39 093	86 423	52 312
Total home loans	**10 866 695**	**317 411**	**10 912 508**	**344 341**

[1] Exposure net of impairments (the amounts include accrued interest).

[2] CRR default criterion (Regulation (EU) 575/2013).

The table below shows the book value and impairment of property foreclosed for the payment of debt:

	30-06-2019			31-12-2018		
	Gross amount	**Impairment**	**Net amount**	**Gross amount**	**Impairment**	**Net amount**
Homes	18 834	2 948	15 886	22 591	3 093	19 498
Other	25 178	14 606	10 572	29 014	15 786	13 228
Total	**44 012**	**17 554**	**26 458**	**51 605**	**18 879**	**32 726**

3.3. Market risk

The table below shows the values of average VaR at 99% with a time horizon of two weeks (10 business days) in accordance with BPI's different risk factors. As can be seen, the value of the risk is immaterial, given the limited expression of open positions in the trading book.

	Total	**Interest Rate**	**Exchange Rate**	**Share prices**
Average VAR first semester 2019	136	100	56	49
Average VAR 2018	264	58	48	245

In the first semester of 2019, the average and the maximum value of the VaR at 99% with a time horizon of one day (adjusted for root of 10) in BPI's trading activities was 136 t.euros and 225 t.euros, respectively.

Capital requirements for market risk are determined based on the standardised approach. The values calculated are insignificant, given the low representativeness of the portfolio.

3.4. Structural interest rate risk

The management of this market risk by Banco BPI seeks to i) optimise the net interest income and ii) preserve the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of the volatility of the net interest income and the sensitivity of economic value. These objectives are defined in accordance with the policies established at CaixaBank Group level.

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 30 June 2019:

	1 year	2 years	3 years	4 years	5 years	> 5 years	TOTAL
ASSETS							
Interbank and Central Banks	2 235 285						2 235 285
Loans and advances to Customers	19 560 007	708 133	473 989	216 576	162 763	659 573	21 781 041
Fixed income portfolio	1 724 316	1 000 000	1 006 000	442 500		335 711	4 508 527
Total Assets	**23 519 608**	**1 708 133**	**1 479 989**	**659 076**	**162 763**	**995 284**	**28 524 853**
LIABILITIES							
Interbank and Central Banks	1 915 730	953 830					2 869 560
Customer deposits	12 144 593	2 410 835	2 163 949	1 308 361	1 308 368	3 646 309	22 982 415
Own issues	986 700	2 456			500 000		1 489 156
Total Liabilities	**15 047 023**	**3 367 121**	**2 163 949**	**1 308 361**	**1 808 368**	**3 646 309**	**27 341 131**
Assets minus Liabilities	**8 472 585**	**(1 658 988)**	**(683 960)**	**(649 285)**	**(1 645 605)**	**(2 651 025)**	**1 183 722**
Hedges	**(1 501 699)**	**927 940**	**954 213**	**(225 904)**	**417 535**	**(568 620)**	**3 466**
Total difference	**6 970 886**	**(731 048)**	**270 253**	**(875 189)**	**(1 228 070)**	**(3 219 645)**	**1 187 187**

The sensitivity of net interest income and economic value are complementary measures that provide an overview of structural interest rate risk, which is more focused on the short and medium term in the first case and on the medium and long term in the second.

The table below shows the sensitivity of the net interest income and the economic value of interest rate-sensitive assets and liabilities to a 200 basis points interest rate instantaneous increase and decrease:

Amounts as % of baseline scenario	**+200 pb**	**-200 pb[3]**
Net interest income [1]	+29.5%	-15.6%
Asset value (banking book)[2]	+7.8%	+2.6%

[1] Net interest income sensitivity at 1 year

[2] Economic value baseline sensitivity

[3] In the case of falling-rate scenarios the applied internal methodology accepts negative interest rates. Given the current level of interest rates, the methodology accepts an interest-rate decline shock of up to approximately -1%. For example, considering a EONIA curve interest rate of -0.40%, the interest rate subject to a shock of -1% in this curve could be as low as -1.40%.

3.5. Exchange rate risk

Banco BPI has foreign currency assets and liabilities in its balance sheet, mainly as a result of its commercial activity, including foreign currency assets and liabilities deriving from the transactions carried out to mitigate exchange rate risk in that activity. The Bank also has some foreign currency structural positions related to equity holdings in financial Institutions outside the Eurozone.

At 30 June 2019, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	USD	AKZ	MZN	Other currencies
Cash and cash balances at central banks and other demand deposits	12 789	67 086		29 256
Financial assets held for trading	9 693			180
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	62 331			
Financial assets at fair value through other comprehensive income	9 090	501 009		101
Financial assets at amortised cost	423 121			74 749
Derivatives - Hedge accounting	7 358			172
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 661			
Investments in subsidiaries, joint ventures and associates			95 545	
Tangible assets				256
Intangible assets				
Tax assets				28
Other assets	191		4 570	3 680
Non-current assets and disposal groups classified as held for sale				
Foreign exchange operations pending settlement and forward position operations	1 225 632			85 549
Total Assets	**1 753 866**	**568 095**	**100 115**	**193 971**
Financial liabilities held for trading	1 970			123
Financial liabilities at amortised cost	1 747 949			181 906
Derivatives - Hedge accounting	3 659			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 724			38
Provisions				
Tax liabilities		48 649	8 417	
Other liabilities	(5 718)			1 766
Total Liabilities	**1 750 584**	**48 649**	**8 417**	**183 833**

The exchange rate risk in the Bank's regular activity may be hedged through on-balance sheet operations (deposits or foreign currency investments) or through financial derivatives that mitigate the risk of positions in foreign currency. It should be noted that the nominal value of derivatives is not reflected directly in the balance sheet but in off-balance sheet accounts. The approach to foreign-exchange risk management at Banco BPI is to seek to minimise the positions assumed, which explains the Bank's low exposure to this risk.

The relevant foreign exchange positions held by Banco BPI result from the equity holdings in financial institutions of countries outside the Eurozone, notably in Banco de Fomento de Angola (position in Angolan Kwanzas) and Banco Comercial e de Investimentos S.A. (Positions in Mozambique Metical). BFA's fair value estimate factors in a projection of the foreign exchange devaluation of the Kwanza, and in the case of the equity holdings, the impact of foreign exchange changes also depends on the composition of the balance sheet of each of those companies.

Excluding the foreign currency positions in Kwanza and Metical resulting from the equity holdings in BFA and BCI, BPI's exposure and sensitivity to exchange rate risk is not significant, taking into account the existing hedges.

At 31 December 2018, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	USD	AKZ	MZN	Other currencies
Cash and cash balances at central banks and other demand deposits	16 237	30 293		51 794
Financial assets held for trading	10 623			629
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	64 931			
Financial assets at fair value through other comprehensive income	6 888	522 000		100
Financial assets at amortised cost	453 980			95 860
Derivatives - Hedge accounting	3 564			140
Fair value changes of the hedged items in portfolio hedge of interest rate risk	792			
Investments in subsidiaries, joint ventures and associates			90 157	
Tangible assets				319
Intangible assets				
Tax assets				
Other assets	191			2 771
Non-current assets and disposal groups classified as held for sale				
Foreign exchange operations pending settlement and forward position operations	1 329 520			62 198
Total Assets	**1 886 726**	**552 293**	**90 157**	**213 811**
Financial liabilities held for trading	1 977			574
Financial liabilities at amortised cost	1 895 058			196 919
Derivatives - Hedge accounting	1 503			32
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(679)			(34)
Provisions				
Tax liabilities		50 748	8 038	
Other liabilities	(6 248)			(68)
Total Liabilities	**1 891 611**	**50 748**	**8 038**	**197 423**

3.6. Liquidity risk

Banco BPI manages liquidity risk with the objective of maintaining liquidity levels that allow them to respond, in a timely manner, to its payment obligations, without investment activities being affected by lack of funds, while maintaining a balanced balance sheet structure in the long term. Liquidity risk is managed in its various aspects: i) the ability to keep up with assets growth and to meet cash requirements without incurring exceptional losses; ii) the maintenance in the portfolio of tradable assets that constitute a sufficient liquidity buffer; (iii) compliance with the various regulatory requirements in the context of liquidity risk.

The breakdown of BPI's total liquid assets is as follows:

Total liquid assets

	30-06-2019		31-12-2018	
	Market value	Eligible value	Market value	Eligible value
Level 1 Assets	4 501 057	4 501 057	3 853 627	3 853 627
Level 2A Assets	46 820	39 797	50 695	43 091
Total HQLA [1]	**4 547 877**	**4 540 854**	**3 904 322**	**3 896 718**
Other non-HQLA		**5 307 305**		**5 600 891**
Total liquid assets (HQLA + other non-HQLA)		**9 848 159**		**9 497 609**

[1] In accordance with the liquidity coverage ratio (LCR) calculation criteria

The table below shows the detail of the average value (last 12 months) of the LCR calculation components at 30 June 2019 and 31 December 2018.

Liquidity coverage ratio (LCR)

(Average in last 12 months)	30-06-2019	31-12-2018
High quality liquid assets (numerator)	4 082 319	3 930 433
Total net outflows (denominator)	2 442 445	2 347 632
Cash outflows	3 396 644	3 319 896
Cash inflows	954 199	972 264
LCR	**167%**	**167%**

Note: The table presents the simple arithmetic mean in the last 12 months of the LCR ratio and respective calculation components. According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council regarding liquidity coverage requirement for Credit Institutions. The established regulatory limit for the LCR ratio is 100% from 1 January 2018.

At 30 June 2019 the main ratings assigned by international rating agencies to Banco BPI were the following:

	Long-term debt	Short-term debt	Outlook	Date of last review	Mortgage covered bonds rating
DBRS Rating Limited	-	-	-	-	AA (Low)
Fitch Ratings	BBB [1]	F2	Stable	6/12/2018	-
Moody's Investors Service	Ba1 [2]	NP	Stable	6/26/2019	Aa3
Standard & Poor's Global Ratings	BBB [3]	A-2	Stable	3/18/2019	-

[1] Long-term issuer default rating

[2] Long term Debt Rating / Issuer rating

[3] Long Term Issuer Credit Rating

The tables below show the breakdown of certain balance sheet items by contractual term to maturity, under normal market conditions:

Term to maturity of operations at 30 June 2019

	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	2 008 548						2 008 548
Derivatives							
Financial assets held for trading	3 807	7 456	5 526	1 149	21 787	112 325	152 050
Hedge accounting		291	1 468	5 919	25 361	1 483	34 522
Debt securities							
Financial assets held for trading				4 946	7 546		12 492
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				1 043		62 378	63 421
Financial assets at fair value through other comprehensive income			225 237	576 565	755 536		1 557 338
Financial assets at amortised cost	9 456	243 421	240 171	287 059	2 231 680	673 997	3 685 784
Loans and advances	446 302	667 201	784 340	1 363 390	3 246 250	15 757 601	22 265 084
Total Assets	2 468 113	918 369	1 256 742	2 240 071	6 288 160	16 607 784	29 779 239
Derivatives							
Financial liabilities held for trading	144	6 486	5 616	1 328	25 170	125 550	164 294
Hedge accounting		49	110	469	21 548	54 187	76 363
Financial liabilities at amortised cost							
Deposits							
Central Banks				405 872	944 228		1 350 100
Credit Institutions	50 566	800 723	9 387	91 060	383	447 575	1 399 694
Customers	14 408 158	1 005 656	1 687 164	3 623 333	2 384 492	1 869	23 110 672
Debt securities issued							
Mortgage bonds					800 000	250 000	1 050 000
Bonds		740	397	4 269	1 715		7 121
Liabilities relating to assets not derecognised		128 697					128 697
Subordinated liabilities						304 501	304 501
Other financial liabilities	76 027	217 342	322	952	962		295 605
Total Liabilities	14 534 895	2 159 693	1 702 996	4 127 283	4 178 498	1 183 682	27 887 047
Of which wholesale funding:		128 697			800 000	554 501	1 483 198
Assets minus Liabilities	**(12 066 782)**	**(1 241 324)**	**(446 254)**	**(1 887 212)**	**2 109 662**	**15 424 102**	**1 892 192**

Term to maturity of operations at 31 December 2018

	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	2 452 916						2 452 916
Derivatives							
Financial assets held for trading	4 990	8 579	7 556	2 734	19 728	88 121	131 708
Hedge accounting		683	2 399	3 195	7 732	311	14 320
Debt securities							
Financial assets held for trading					13 893		13 893
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				1 079		58 909	59 988
Financial assets at fair value through other comprehensive income			228 863	740 618	307 939		1 277 420
Financial assets at amortised cost		271 403	244 225	182 133	2 126 902	692 151	3 516 814
Loans and advances	280 519	892 242	952 498	1 193 153	3 386 794	15 449 923	22 155 129
Total Assets	2 738 425	1 172 907	1 435 541	2 122 912	5 862 988	16 289 415	29 622 188
Derivatives							
Financial liabilities held for trading		8 781	7 686	2 435	21 514	100 919	141 335
Hedge accounting		84	4 009	12 220	15 861	23 836	56 010
Financial liabilities at amortised cost							
Deposits							
Central Banks					1 352 843		1 352 843
Credit Institutions	238 673	889 571	219 313	35 367		470 577	1 853 501
Customers	13 398 780	1 860 752	1 705 442	4 131 948	1 861 085	2 245	22 960 252
Debt securities issued							
Mortgage bonds					300 000	250 000	550 000
Bonds		534	5 430	5 716	6 671		18 351
Liabilities relating to assets not derecognised					89 782	155 550	245 330
Subordinated liabilities						304 514	304 514
Other financial liabilities	37 465	172 548	11 405	4 742	4 794		230 954
Total Liabilities	13 674 918	2 932 270	1 953 285	4 192 428	3 652 550	1 307 641	27 713 090
Of which wholesale funding:					389 782	710 063	1 099 845
Assets minus Liabilities	**(10 936 493)**	**(1 759 363)**	**(517 744)**	**(2 069 516)**	**2 210 438**	**14 981 774**	**1 909 098**

3.7. Other risks

There were no significant changes in the risk levels and in the policies during the first semester of 2019.

4. SOLVENCY MANAGEMENT

4.1. Regulatory framework

The global regulatory framework for supervision and prudential rules on solvency, known as Basel III, came into force in the European Union through Directive 2013/36 (CRD IV) and Regulation 575/2013 (CRR), in which a progressive schedule of implementation is established for the respective requirements.

Furthermore, the Supervisory Review and Evaluation Process (SREP), which configures Pillar II of the Basel regulatory framework, consists of an ongoing supervision process to evaluate the adequacy of capital, liquidity, corporate governance, and risk management and control, harmonised at European level by the EBA. The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses specifically detected. The SREP seeks to assess the individual viability of entities, considering cross-cutting analyses and comparisons against their peers. Any potential additional capital requirements are complemented by combined capital buffer requirements.

4.2. Capital management

At 30 June 2019, Banco BPI had a Common Equity Tier 1 (CET1) ratio of 13.1%, a Tier 1 ratio of 13.1% and a total ratio of 14.9%, without considering the 2019 interim results in the calculation of these ratios.

Considering the inclusion of the interim results and the upper end (payout of 50%) of the range set forth in Banco BPI's Long-Term Dividend Policy[2], as established in Art. 2 of Commission Delegated Regulation (EU) no. 241/2014, the CET1 ratio would be 13.4%, the Tier 1 ratio would be 13.4% and the total ratio would be 15.2%.

The following table shows the composition of Banco BPI consolidated own funds:

	30-06-2019		31-12-2018	
	Amount	**%**	**Amount**	**%**
CET1 instruments	**3 020 823**		**3 060 727**	
Accounting shareholders' equity	3 027 071		3 205 952	
Dividends payable			(140 000)	
AVA adjustments and gains/(losses)	(6 248)		(5 226)	
CET1 Deductions	**(743 808)**		**(725 689)**	
Intangible assets	(63 312)		(66 904)	
Deferred taxes assets and financial investments	(605 463)		(613 356)	
Other deductions	(75 033)		(45 429)	
CET1	**2 277 015**	**13.1%**	**2 335 038**	**13.8%**
TIER 1	**2 277 015**	**13.1%**	**2 335 038**	**13.8%**
TIER2 Instruments	300 000		300 000	
TIER2	**300 000**	**1.7%**	**300 000**	**1.8%**
TOTAL CAPITAL	**2 577 015**	**14.9%**	**2 635 038**	**15.5%**
RWA	**17 339 058**		**16 976 755**	
Fully Loaded				
CET1		**13.1%**		**13.8%**
T1		**13.1%**		**13.8%**
Total capital		**14.9%**		**15.5%**

Note: In 2019, it incorporates 7 basis points impact from the first application of IFRS16.

The following chart sets out a summary of the minimum regulatory capital requirements on a consolidated basis at 30 June 2019.

	30-06-2019		31-12-2018	
	Amount	**%**	**Amount**	**%**
BAS III minimum requirements				
CET1[1]	1 603 863	9.25%	1 485 466	8.75%
Tier1	1 863 949	10.75%	1 740 117	10.25%
Capital Total	2 210 730	12.75%	2 079 653	12.25%

[1]Includes the minimum requirement of Pilar I of 4.5%; the requirement of Pilar II (2.25% in 2018 and 2% in 2019); the capital conservation buffer (1.875% in 2018 and 2.5% in 2019); and the O-SII (Other Systemically Important Institution) buffer of 0.25% in 2019 (0.5% to be phased in over 4 years through to 2021).

[2]The Long-Term Dividend Policy of Banco BPI approved by the single shareholder, CaixaBank, S.A., by Unanimous Written Resolution on 31 January 2019, provides for the distribution of an annual dividend, tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, where the exact amount to be proposed (by the Board of Directors to the General Meeting) shall be defined in light of a prudent judgement which takes into account, in view of the specific situation at the time of Banco BPI, the permanent satisfaction of adequate levels of liquidity and solvency.

The following table shows the breakdown of the leverage ratio:

Leverage ratio

	30-06-2019		31-12-2018	
	Amount	**%**	**Amount**	**%**
Exposure	31 901 687		31 963 096	
Leverage ratio		**7.1%**		**7.3%**

5. DIVIDEND DISTRIBUTION AND EARNINGS PER SHARE

Dividend policy

In line with the amendment to the articles of association of Banco BPI approved at the General Shareholders' Meeting of 20 April 2006, these articles now include the following rule (Article 26- 3): "The General Shareholders' Meeting shall decide on the long-term dividend policy proposed by the Board of Directors, which shall justify any deviations from that policy."

For compliance with this statutory rule, Banco BPI's long-term dividend policy was approved on 31 January 2019, as follows:

1. General Principle

Subject to a proposal to be submitted by the Board of Directors to the General Meeting, distribution of an annual dividend tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, with the exact amount to be proposed being defined in accordance with a prudent judgement that balances the situation of the Bank at the time with the need to maintain at all times adequate levels of liquidity and solvency.

2. Conditioning factors

The provisions of point 1 above represent a mere principle, which, as such, is not binding upon the General Meeting, which can at any time, not only change it, but also resolve on a percentage of distribution below the minimum 30% threshold or above the maximum 50% threshold therein referred, or on no distribution at all.

The provisions of item 1 are therefore only intended to:

i) give the shareholders and third parties a medium/long term perspective of the company's objectives in terms of dividend distribution;

ii) impose on the Board of Directors, when it intends to propose a dividend distribution outside the thresholds therein established, the duty of substantiating this option.

In addition, the distribution principle set out in the previous paragraph shall be subject to:

a) Compliance with the capital ratios at any time applicable to the Bank, whether under Pillar 1 or Pillar 2, as well as with other applicable legal provisions, namely those governing what is considered the "maximum distributable amount ";

b) When the net income determined in the individual accounts includes dividends from companies that have not yet been paid to the Bank, the Board of Directors shall exclude the amount of these dividends from the base used for the definition of the dividends to be distributed, whenever a prudent judgement so advises;

c) Respect for the findings and guidelines of the Bank's ICAAP and RAF at any time in force;

d) the absence of exceptional circumstances that justify, in the Board of Directors reasoned opinion, submitting to the Shareholders' deliberation the distribution of a dividend below the 30% threshold or above the 50% threshold.

The distribution of the 2018 results, made through the payment of dividends in the amount of 140 million euros, was approved by the Board of Directors on 15 April 2019 and subsequently at the Shareholders General Meeting on 29 April 2019:

	2018
Net income reported in the individual accounts of Banco BPI	914 311
Net capital gain on revaluation of equity holding in BFA	(456 676)
Net profit for dividend distribution purposes	**457 635**
Proposed appropriation of profit	
To dividends	140 000
To legal reserve	91 431
To other reserves	682 880
Individual profit of Banco BPI in 2018	**914 311**
Payout ratio for dividend distribution purposes	**30.6%**

Basic and diluted earnings per share, as per the consolidated profit of Banco BPI attributable to its shareholders, are calculated as follows:

	30-06-2019	30-06-2018
Numerator (in thousand euros)		
Profit/(loss) after tax and minority interests from continuing operations	134 450	301 843
Profit/(loss) after tax from discontinued operations	0	64 214
Consolidated profit/(loss)	**134 450**	**366 057**
Denominator (in thousand shares)		
Average number of outstanding shares	1 456 924	1 456 924
Average number of treasury shares	0	151
Adjusted number of shares (basic earnings per share) [1]	**1 456 924**	**1 456 773**
Basic earnings per share (in euros)		
Profit/(loss) per share from continuing operations	0.092	0.207
Profit/(loss) per share from discontinued operations	0	0.044
Consolidated basic earnings per share	**0.092**	**0.251**
Diluted earnings per share (in euros)		
Diluted earnings per share from continuing operations	0.092	0.207
Diluted earnings per share from discontinued operations	0	0.044
Consolidated diluted earnings per share	**0.092**	**0.251**

[1] Average number of shares outstanding, excluding the average number of treasury shares held during the period.

6. SEGMENTS

The objective of business segment reporting is to allow internal supervision and management of BPI's activity and consolidated income. To define and segregate segments, the inherent risks and management characteristics of each segment are considered. The information reporting used by management is essentially prepared on an accounting basis supported by the IFRS. Their preparation relies on i) the same presentation principles used for the Bank's management information, and ii) the same accounting principles and policies used to prepare the annual financial statements:

At 30 June 2019, BPI's segment reporting considers the following segments:

- Domestic operations: includes the commercial banking business in Portugal and the equity holdings activity.
- International operations: corresponds to the activity developed in Mozambique by Banco Comercial e de Investimentos, S.A.R.L. and the results associated to the equity holding in Banco de Fomento Angola, classified in the portfolio of equity instruments at fair value through other comprehensive income.

Commercial Banking

Banco BPI's operations are focused mainly on commercial banking. Commercial banking includes:

- Retail Banking - Commercial operations with individual Customers, individual entrepreneurs and companies with turnover of up to 5 million euros, developed through a multi-channel distribution network comprising traditional branches and investment centres. It also includes the Private Banking area, which is responsible for implementing strategies and submitting investment proposals to the Customers, and for the management of their financial assets.
- Corporate Banking, Project Finance and Institutional Banking - Commercial operations with companies with turnover above 2 million euros, operating alongside Retail banking in the segment of up to 5 million euros. Also includes project finance services and the relationship with Public Sector entities, state-owned and municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of corporate centres and institutional centres that cater to the area's business needs.

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

Equity holdings

This segment essentially comprises the income generated by associated companies and joint ventures in Portugal (Cosec, Allianz, Unicre and Inter-Risco) as well as the income associated to participation units in credit recovery and private equity funds, and to investments in shares.

At 30 June 2018:

- The domestic activity also included the Asset Management and Investment Banking businesses, which were sold to CaixaBank in April 2018 and January 2019, respectively.
- The international activity also included the equity holding in BPI Capital Africa (Proprietary) Limited, which was liquidated in December 2018.

The amount of inter-segment transactions is presented based on the effective conditions of the transactions and in accordance with the accounting policies used to prepare BPI's consolidated financial statements.

At 30 June 2019, the income statement by business segment of BPI was as follows: [1]

	Domestic Activity				International Activity			Banco BPI consolidated
	Commercial Banking	Equity holdings	Inter-segment transactions	**Total**	Angola	Mozambique	**Total**	
1.Interest income	263 900	316		**264 216**				**264 216**
2.Interest expense	(49 437)			**(49 437)**				**(49 437)**
3.Net interest income [1+2]	**214 463**	**316**		**214 779**				**214 779**
4.Income from equity instruments	46	2 207		**2 253**	46 003		**46 003**	**48 256**
5.Share of profit/(loss) of entities accounted for using the equity method		9 786		**9 786**		10 393	**10 393**	**20 179**
6.Fee and commission income	139 155		(53)	**139 102**				**139 102**
7.Fee and commission expenses	(11 991)	(2)	53	**(11 940)**				**(11 940)**
8.Net fee and commission income [6+7]	**127 164**	**(2)**		**127 162**				**127 162**
9.Gains/(losses) on financial operations	7 473	(9 164)		**(1 691)**	(4 576)		**(4 576)**	**(6 267)**
10.Operating income and expenses	(12 443)	(3)		**(12 446)**	(4 600)		**(4 600)**	**(17 046)**
11.Gross income [3+4+5+8+9+10]	**336 703**	**3 140**		**339 843**	**36 827**	**10 393**	**47 220**	**387 063**
12.Staff expenses	(122 183)	(65)		**(122 248)**				**(122 248)**
13.Suppliers and external services	(75 410)	(5)		**(75 415)**				**(75 415)**
14.Fixed assets amortisation and depreciation	(26 243)			**(26 243)**				**(26 243)**
15.Operating expenses [12+13+14]	**(223 836)**	**(70)**		**(223 906)**				**(223 906)**
16.Net operating income [11+15]	**112 867**	**3 070**		**115 937**	**36 827**	**10 393**	**47 220**	**163 157**
17.Impairment losses on financial assets	10 857			**10 857**				**10 857**
18.Other impairments and provisions	(132)			**(132)**				**(132)**
19.Gains/(losses) in other assets	126	1 028		**1 154**				**1 154**
20.Profit/(loss) before tax [16+17+18+19]	**123 718**	**4 098**		**127 816**	**36 827**	**10 393**	**47 220**	**175 036**
21.Income tax	(42 332)	1 375		(40 957)	1 254	(883)	371	(40 586)
22.Profit/(loss) from continuing operations [20+21]	**81 386**	**5 473**		**86 859**	**38 081**	**9 510**	**47 591**	**134 450**
23.Net profit/(loss) from discontinued operations								
24.Profit/(loss) attributable to minority interests								
25.Net profit/(loss) [22+23+24]	**81 386**	**5 473**		**86 859**	**38 081**	**9 510**	**47 591**	**134 450**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 30 June 2018, the income statement by business segment of BPI was as follows: [1]

	Domestic Activity						International Activity				Banco BPI consolidated
	Commercial banking	Investment banking	Asset management	Equity holdings	Inter-segment transactions	**Total**	Angola	Mozambique	South Africa	**Total**	
1.Interest income	246 417	35		194	(5)	**246 641**					**246 641**
2.Interest expense	(39 473)	(12)			5	**(39 480)**			(1)	**(1)**	**(39 481)**
3.Net interest income [1+2]	**206 944**	**23**		**194**		**207 161**			**(1)**	**(1)**	**207 160**
4.Income from equity instruments	1 194			277		**1 471**					**1 471**
5.Share of profit/(loss) of entities accounted for using the equity method				8 433		**8 433**	155 564	7 728		**163 292**	**171 725**
6.Fee and commission income	155 240	3 520			(744)	**158 016**					**158 016**
7.Fee and commission expenses	(23 681)	(436)		(7)	744	**(23 380)**					**(23 380)**
8.Net fee and commission income [6+7]	**131 559**	**3 084**		**(7)**		**134 636**					**134 636**
9.Gains/(losses) on financial operations	18 018	1		60 913		**78 932**	(5 127)			**(5 127)**	**73 805**
10.Operating income and expenses	(15 511)	(41)		(2)		**(15 554)**			1	**1**	**(15 553)**
11.Gross income [3+4+5+8+9+10]	**342 204**	**3 067**		**69 808**		**415 079**	**150 437**	**7 728**		**158 165**	**573 244**
12.Staff expenses	(123 967)	(2 834)		(27)		**(126 828)**					**(126 828)**
13.Suppliers and external services	(83 091)	(1 339)		(11)		**(84 441)**			(24)	**(24)**	**(84 465)**
14.Fixed assets amortisation and depreciation	(10 356)	(70)				**(10 426)**					**(10 426)**
15.Operating expenses [12+13+14]	**(217 414)**	**(4 243)**		**(38)**		**(221 695)**			**(24)**	**(24)**	**(221 719)**
16.Net operating income [11+15]	**124 790**	**(1 176)**		**69 770**		**193 384**	**150 437**	**7 728**	**(24)**	**158 141**	**351 525**
17.Impairment losses on financial assets	11 318					**11 318**					**11 318**
18.Other impairments and provisions	(178)					**(178)**			210	**210**	**32**
19.Gains/(losses) in other assets	(857)					**(857)**					**(857)**
20.Profit/(loss) before tax [16+17+18+19]	**135 072**	**(1 176)**		**69 770**		**203 666**	**150 437**	**7 728**	**186**	**158 351**	**362 017**
21.Income tax	(45 256)	82		(192)		**(45 366)**	(14 151)	(657)		**(14 808)**	**(60 174)**
22.Profit/(loss) from continuing operations [20+21]	**89 816**	**(1 094)**		**69 578**		**158 300**	**136 286**	**7 071**	**186**	**143 543**	**301 843**
23.Net profit/(loss) from discontinued operations			64 214			**64 214**					**64 214**
25.Net profit/(loss) [22+23+24]	**89 816**	**(1 094)**	**64 214**	**69 578**		**222 514**	**136 286**	**7 071**	**186**	**143 543**	**366 057**

[1] Income statement structure presented in accordance with Banco BPI management information.

The caption Gains/(losses) on financial operations, in the segment of equity investments, includes 59 581 t.euros relating to the capital gain on the sale of the equity holding in Viacer.

7. DISCLOSURE OF THE REMUNERATION OF THE CORPORATE BODIES

The General Meeting of 20 April 2018 approved the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board" (hereinafter the "Remuneration Policy") for the 2017-2019 period.

In accordance with Banco BPI's Articles of Association, the members of the corporate bodies shall have a fixed remuneration and the members of the Executive Committee may receive, in addition to a fixed remuneration, a variable remuneration determined in accordance with the criteria defined in the remuneration policy for the members of the supervision and management bodies.

Note 8 to Banco BPI's 2018 consolidated financial statements presents in more detail the remuneration of the corporate bodies, namely of the members of Banco BPI's Board of Directors and Executive Committee.

By unanimous written resolution no. 2 of 29 April 2019, CaixaBank, Banco BPI's single shareholder, on a proposal by the Remuneration Committee, approved an amendment to the limit defined in paragraph b) of point 4.2.2 of the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board", to the effect of increasing the global limit of the variable component of the remuneration (under the form of a bonus) of executive directors from 1 400 t.euros to 1 550 t.euros, this new limit applying to the variable component of the remuneration of the executive directors to be attributed and/or paid in 2019 relative to their performance in 2018.

Fixed remuneration

The fixed remuneration and attendance fees received by the members of the Board of Directors, excluding those who are members of the Executive Committee, are shown below:

	30-06-2019	30-06-2018
Fixed remuneration	3059	3032
Attendance fees	216	160
	3275	**3192**
Number of persons	18	20

Variable remuneration

The members of the Executive Committee of the Board of Directors may be entitled to receive a variable remuneration. This variable remuneration is dependent upon the performance during a given year, and its attribution is usually decided and made during the first half of the following year.

On April 2019 the payment of a variable remuneration in the global amount of 1 503 t.euros to the members of the Executive Committee of Banco BPI for their performance in financial year 2018 was approved.

Under the terms of the applicable remuneration policy, this variable remuneration comprises one part in cash and another in financial instruments (CaixaBank shares), and it is subject to deferral, i.e., one part thereof is paid in the year in which it is attributed and the other part over the subsequent years.

8. FINANCIAL ASSETS

This note details the various items of financial assets in BPI's balance sheet, except for the "Hedging derivatives" caption. The amounts presented are net of impairment, except where it is explicitly stated that gross amounts are being presented.

30-06-2019

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
Trading derivatives	152 050				152 050
Equity instruments	81 581	151 403	586 130		819 114
Debt securities	12 492	63 421	1 557 338	3 685 784	5 319 035
Loans and advances				22 265 084	22 265 084
Central banks				5 000	5 000
Credit institutions				795 550	795 550
Customers				21 464 534	21 464 534
	246 123	**214 824**	**2 143 468**	**25 950 868**	**28 555 283**

31-12-2018

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
Trading derivatives	131 708				131 708
Equity instruments	81 171	168 594	597 740		847 505
Debt securities	13 893	59 988	1 277 420	3 516 814	4 868 115
Loans and advances				22 155 129	22 155 129
Central banks				5 000	5 000
Credit institutions				785 659	785 659
Customers				21 364 470	21 364 470
	226 772	**228 582**	**1 875 160**	**25 671 943**	**28 002 457**

Cash and cash balances at central banks and other demand deposits

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Cash	231 360	278 878
Demand deposits at Bank of Portugal	1 544 137	1 950 209
Other demand deposits	233 368	223 992
Interest on demand deposits at Bank of Portugal	(317)	(163)
	2 008 548	**2 452 916**

The caption ''demand deposits at Bank of Portugal'' includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. The component of these deposits made to comply with the minimum cash reserve requirements is currently remunerated at 0% and the surplus funds have an interest rate of -0.40%. The minimum cash reserve corresponds to 1% of the amount of deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum cash reserve system and the liabilities to the European Central Bank and national central banks that participate in the euro.

Financial assets held for trading

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Trading derivatives	**152 050**	**131 708**
Equity instruments		
Shares in portuguese companies	81 581	81 171
	81 581	**81 171**
Debt securities		
Bonds issued by portuguese government entities	2 568	4 532
Bonds issued by other foreign entities	9 924	9 361
	12 492	**13 893**
	246 123	**226 772**

At 30 June 2019 and 31 December 2018, the caption Equity Instruments corresponds to shares to hedge equity swaps transactions carried out with Customers (Note 25).

Financial assets not designated for trading compulsorily measured at fair value through profit or loss

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Equity instruments		
Shares in portuguese companies	4 756	7 859
Shares in foreign companies	992	
Participation units of portuguese issuers	128 061	136 248
Participation units of foreign issuers	17 594	24 487
	151 403	**168 594**
Debt securities		
Bonds issued by other Portuguese entities	47	44
Bonds issued by other foreign entities	63 374	59 944
	63 421	**59 988**
	214 824	**228 582**

Financial assets designated at fair value through other comprehensive income

This caption is made up as follows:

	30-06-2019	31-12-2018
Equity instruments		
Shares in Portuguese companies	73 436	66 232
Shares in foreign companies	512 694	531 508
	586 130	**597 740**
Debt securities		
Bonds issued by Portuguese government entities		
Treasury Bills	801 801	475 875
Treasury Bonds	137 295	314 786
Bonds issued by foreign government entities	618 242	486 759
	1 557 338	**1 277 420**
	2 143 468	**1 875 160**

In December 2018, following Banco BPI's loss of significant influence in BFA, this equity holding was reclassified from 'Investments in joint ventures and associates' 'to Financial assets at fair value through other comprehensive income - equity instruments' (Note 10).

The movement in the caption ''Equity instruments at fair value through other comprehensive income'', during the first semester of 2019, was as follows:

	31-12-2018	Purchases	Sales	Actual gains/(losses) recognised under other comprehensive income	Potential gains/(losses) recognised under other comprehensive income and exchange difference	30-06-2019
Banco de Fomento Angola, S.A.	522 000				(20 992)	501 008
Other	75 740	1 900	(1 504)	600	8 386	85 122
	597 740	1 900	(1 504)	600	(12 606)	586 130

Financial assets at amortised cost

Debt securities

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Sovereign debt		
Portuguese sovereign debt	536 705	555 844
Foreign sovereign debt	1 216 353	1 216 597
	1 753 058	**1 772 441**
Customer debt		
Other Portuguese public issuers	337 135	252 570
Other Portuguese issuers	1 565 847	1 455 969
Other foreign issuers	34 205	40 362
	1 937 187	**1 748 901**
Impairment	**(4 461)**	**(4 528)**
	3 685 784	**3 516 814**

In 2018 Banco BPI bought a portfolio of medium-long term public debt in the amount of 1.8 billion euros. At 30 June 2019 the average residual maturity of this portfolio was approximately 2 years. The sovereign debt portfolio is made up of Spanish and Italian public debt securities.

The portfolio of debt securities at amortised cost includes securities designated as interest rate hedged assets, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to 14 217 t.euros and 2 621 t.euros, respectively.

Customer debt securities essentially include issues of commercial paper and bonds of Corporate Banking, Project Finance and Institutional Banking customers associated to Banco BPI's commercial loans portfolio.

At 30 June 2019 and 31 December 2018, debt securities included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (note 15), namely 45 301 t.euros and 49 879 t.euros, respectively, allocated as collateral for public sector bonds.

Loans and advances - Central Banks and other Credit Institutions

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Loans and advances to the Bank of Portugal	5 000	5 000
Very short term applications	25 483	9 502
Cheques for collection	61 668	49 906
Loans	242 467	204 639
Reverse repurchase agreements	12 701	6 661
Other	256	490
Interest receivable and commissions relating to amortised cost	279	153
	342 854	271 351
Loans and advances to other Credit Institutions abroad		
Very short term applications	146 818	261 764
Deposits	128 329	72 367
Cheques for collection	1 211	1 032
Other loans and advances	164 980	167 380
Interest receivable and commissions relating to amortised cost	76	63
Debtors for futures operations	11 282	11 971
	452 696	514 577
Impairment		(269)
	800 550	**790 659**

Loans and advances - Customers

The breakdown of loans and advances to Customers by activity at 30 June 2019 is as follows:

	30-06-2019	
	Gross amount	**Impairment**
Public sector	1 255 167	(97)
Other financial corporations and individual entrepreneurs (financial business)	302 539	(370)
Non-financial corporations and individual entrepreneurs (non-financial business)	7 847 906	(298 141)
Real estate construction and development	440 270	(53 264)
Civil construction	125 020	(7 496)
Other	7 282 616	(237 381)
Large companies	3 561 414	(128 530)
Small and medium-sized companies	3 721 202	(108 851)
Individuals	12 566 163	(208 633)
Homes	11 119 945	(167 843)
Consumer spending	1 071 883	(33 281)
Other	374 335	(7 509)
	21 971 775	**(507 241)**

The breakdown of loans and advances to Customers by activity at 31 December 2018 is as follows:

	31-12-2018	
	Gross amount	**Impairment**
Public sector	1 227 118	(208)
Other financial corporations and individual entrepreneurs (financial business)	380 428	(406)
Non-financial corporations and individual entrepreneurs (non-financial business)	7 744 064	(318 169)
Real estate construction and development	430 388	(54 300)
Civil construction	119 214	(7 755)
Other	7 194 462	(256 114)
Large companies	3 467 960	(133 485)
Small and medium-sized companies	3 726 502	(122 629)
Individuals	12 545 983	(214 340)
Homes	11 176 948	(175 120)
Consumer spending	990 214	(31 317)
Other	378 821	(7 903)
	21 897 593	**(533 123)**

The portfolio of loans and advances to Customers includes loans designated as interest rate hedged assets, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to 46 936 t.euros and 24 097 t.euros, respectively.

The detail of guarantees received[1] to secure credit operations is as follows:

	30-06-2019	31-12-2018
Value of collateral	**11 624 594**	**11 662 543**
Of which: Stage 3 guarantee	320 339	352 956
Value of other guarantees	**939 349**	**960 912**
Of which: Stage 3 guarantee	10 359	10 288
	12 563 943	**12 623 455**

[1] The value of the guarantee is the minimum amount between the guarantee received and the net credit amount.

The movement in the caption Loans and advances to Customers during the first semester of 2019 was as follows:

	Loans and advances	Of which:		
		Stage 1	Stage 2	Stage 3
Balance at 31-12-2018	**21 897 593**	**19 404 057**	**1 473 238**	**1 020 298**
Exposure increases / reductions	**93 807**	**241 398**	**(93 049)**	**(54 542)**
Transfers				
From stage 1:		(443 770)	421 625	22 145
From stage 2:		411 058	(456 247)	45 189
From stage 3:		3 090	39 845	(42 935)
Write-offs	(19 625)	(3)	(3)	(19 619)
Balance at 30-06-2019	**21 971 775**	**19 615 830**	**1 385 409**	**970 536**

In the first semester of 2019, the impairments due to expected loss on Loans and advances to Customers was as follows:

	Impairments for loans and advances	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2018	**(533 123)**	**(25 186)**	**(52 878)**	**(455 059)**
Impairment / reversal of impairment due to changes in credit risk	(1 758)	1 897	1 218	(4 873)
Impairment allowance for new financial assets	(19 617)	(10 058)	(1 766)	(7 793)
Reversal of impairments due to reimbursements and recoveries	31 898	6 763	3 232	21 904
Write-offs	19 625	3	3	19 619
Transfers and other	(4 266)	(25)	(42)	(4 199)
Balance at 30-06-2019	**(507 241)**	**(26 606)**	**(50 233)**	**(430 401)**

The breakdown of Customer loan impairments by calculation method is as follows:

	30-06-2019	31-12-2018
Impairments determined individually / collectively		
Specific identified individually	(182 890)	(199 611)
Collective	(324 351)	(333 512)

Loans and advances to Customers include the following non-derecognised securitised assets:

	30-06-2019	31-12-2018
Non-derecognised securitised assets[1]		
Loans		
Home loans	855 827	1 150 034
Loans to SMEs	3 304 781	3 214 901
Interest receivable	11 333	10 003
	4 171 941	**4 374 938**

[1] Excludes overdue loans and interest

The loans subject to securitisation operations carried out by Banco BPI were not derecognised from the Bank's balance sheet and are recorded under the caption 'Loans not represented by securities'. The amounts received by Banco BPI from these operations are recorded under the caption "Financial liabilities at amortised cost - debt securities issued" (Note 15).

At 30 June 2019 and 31 December 2018, the caption 'Loans and advances to Customers' included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 15), namely:

- 7 610 825 t.euros and 7 576 415 t.euros, respectively, allocated as collateral to mortgage bonds;
- 721 918 t.euros and 694 340 t.euros, respectively, allocated as collateral to public sector bonds.

Written-off loans

The movement in loans written off from assets in the first semester of 2019 and during 2018 was as follows:

	30-06-2019	31-12-2018
Balance at beginning of period	**1 114 459**	**1 262 523**
Increases:		
Value correction due to depreciation of assets	19 625	57 604
Other	286	
Decreases:		
Recovery of written-off principal and interest	(5 933)	(14 802)
Amount recovered on sale of written-off loans		(22 090)
Remission of written-off credits due to disposals		(162 855)
Other	(1 146)	(5 921)
Balance at end of period	**1 127 291**	**1 114 459**

Loans written off from assets because recovery was deemed to be remote are recognised under the off-balance sheet caption "Loans written off from assets".

9. DERIVATIVES – HEDGE ACCOUNTING

The detail of hedging derivatives is as follows:

	30-06-2019			31-12-2018		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest rates	7 903 483	34 522	76 363	7 703 360	14 320	56 010
By type of counterparty:						
Of which: OTC - credit institutions	840 295	10 363	30 414	2 374 616	7 707	43 501
Of which: OTC - other financial companies	7 063 188	24 159	45 949	5 328 744	6 613	12 509

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The detail of investments in joint ventures and associates is as follows:

	Effective holding (%)		Book value	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Banco Comercial e de Investimentos, S.A.	35.7%	35.7%	95 545	90 156
Companhia de Seguros Allianz Portugal, S.A.	35.0%	35.0%	70 657	54 598
Cosec – Companhia de Seguros de Crédito, S.A.	50.0%	50.0%	35 485	34 883
Inter-Risco - Sociedade de Capital de Risco, S.A.	49.0%	49.0%	442	462
Unicre - Instituição Financeira de Crédito, S.A.	21.0%	21.0%	26 587	29 045
			228 716	**209 144**

The changes in investments in join ventures and associates in the first semester of 2019 were as follows:

	Book value	Goodwill	Impairment	Total
Balance at 31-12-2018	**197 366**	**18 467**	**(6 689)**	**209 144**
Net profit / (loss) for the year	20 179		1 027[1]	
Dividends distributed	(12 830)			
Exchange difference	(514)			
Changes in associates' other comprehensive income	12 201			
Other	(491)			
Balance at 30-06-2019	**215 911**	**18 467**	**(5 662)**	**228 716**

[1] Variation of impairment for the equity holding in Unicre.

None of BPI's associated companies is listed on the stock exchange.

The breakdown of profit/(loss) of investments in joint ventures and associates accounted for using the equity method is as follows:

	30-06-2019	30-06-2018
Banco de Fomento Angola, S.A.	0	155 564
Banco Comercial e de Investimentos, S.A.R.L.	10 394	7 728
Companhia de Seguros Allianz Portugal, S.A.	6 289	4 148
Cosec – Companhia de Seguros de Crédito, S.A.	2 965	2 110
InterRisco - Sociedade de Capital de Risco, S.A.	(20)	(42)
Unicre - Instituição Financeira de Crédito, S.A.	551	2 217
	20 179	**171 725**

Banco de Fomento Angola (BFA)

In January 2017 Banco BPI sold 2% of the share capital of Banco de Fomento Angola to Unitel, reducing its holding in BFA to 48.1%, and entering into an agreement with BFA's shareholders under which BPI was entitled to appoint two, from a maximum of fifteen, members of the Board of Directors of BFA, as well as one member of its Supervisory Board, and one member of the Risk Committee and the Remuneration Committee. BPI's stake in BFA's share capital and participation in BFA's governing bodies, although minoritary and not proportional to the share capital held, permitted to presume the existence of significant influence over BFA, in accordance with the IAS 28 provisions. Therefore, following the sale of 2% of BFA, Banco BPI classified its holding in BFA as an associate.

In December 2018, an assessment of the conditions on which the assumption of significant influence of Banco BPI over BFA in accordance with IAS 28 was based permitted to conclude that no real significant influence existed. From the main issues considered, one of the most important concerned the absence of BPI representatives in the executive body of BFA - the Executive Committee, which is the body responsible for the bank's operational management -, which determined BPI's lack of real power to participate in the financial and operating policy decisions of BFA under the terms set forth in paragraph 6 of IAS 28. BPI's minority position in BFA's Board of Directors, alongside a shareholder that holds control, also prevented BPI from having a real capacity to exercise significant influence in the management of BFA. In this context, the weight of BPI's participation in BFA's financial and operating policy decisions was much curtailed relative to initial expectations, based on the past experience of shareholders' relationship, where BPI played a key role in the management of BFA. Taking into account that increase in experience, assessment and knowledge about the shareholder relationship of BPI in BFA, it was considered that at the end of 2018 the circumstances on which the existence of real capacity on the part of BPI to exercise significant influence over BFA was based no longer existed. In view of these circumstances, at the end of 2018, BPI considered it appropriate to limit its presence in the committees and management bodies of BFA in which it was represented, maintaining only the minority presence in the aforementioned corporate bodies of BFA. The analysis and justification for the non-existence of significant influence are provided in Note 2.1 to the 2018 annual financial statements.

In accordance with the accounting standards, the loss of significant influence entailed, in Banco BPI's consolidated balance sheet, reclassifying the equity holding in BFA from Associate to Financial assets at fair value through other comprehensive income - Equity instruments, and its revaluation at fair value. This change generated an impact of (138 626) t.euros in BFA's contribution to Banco BPI's net income, of which:

- (157 975) t.euros resulting from the transfer to profit/(loss) of foreign exchange differences accumulated in other comprehensive income in 2017 and 2018,
- 3 946 t.euros resulting from the revaluation of the equity holding in BFA at fair value, from 518 054 t.euros, to 522 000 t.euros ,
- (15 403) t.euros of deferred tax liabilities associated to the above amounts.

In 2018 the total contribution of BFA to net consolidated income was as follows:

Income generated by BFA recognised in share of profit/(loss) in associates recognised by the equity method in 2018	241 645
Other Gains/(losses) on financial assets and liabilities and other	(7 764)
Deferred taxes on net income/(loss) associated with BFA	(22 037)
Reclassification of equity holding in BFA at 31 December 2018	**(138 626)**
Gains/(losses) on derecognition of non-financial assets (Note 30)	(154 029)
Deferred taxes	15 403
Impact of BFA reclassification on 2018 net income	**73 218**

In the first semester of 2018, the contribution of BFA to net consolidated income was as follows:

Income generated by BFA recognised in share of profit/(loss) in associates recognised by the equity method	155 564
Other Gains/(losses) on financial assets and liabilities and other	(5 127)
Deferred taxes on net income/(loss) associated with BFA	(14 152)
	136 285

In 2019, changes in the fair value of the equity holding in BFA were recognised in other comprehensive income (Note 8).

11. TANGIBLE ASSETS

This item of assets includes the properties acquired for own use by the Bank.

On 1 January 2019, with the entry into force of IFRS 16 – "Leases", a right of use in the amount of 89 million euros was recognised (note 2A - Comparability of the information).

During the first half of 2019 no individually significant profits or losses were recorded on sales of real estate.

The investments in tangible assets made during the first half of 2019 totalled 2 834 t.euros.

Besides the impact from the application of IFRS16, there were no other relevant movements in this caption during the first half of 2019.

12. INTANGIBLE ASSETS

The investments made in the first half of 2019 totalled 9 170 t.euros, essentially concerning investment in the development of software commissioned by Banco BPI to external entities.

13. OTHER ASSETS

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Accrued income		
Fees for Allianz's profit sharing	12 730	24 436
Other accrued income	33 205	29 211
	45 935	**53 647**
Deferred expenses		
Rents	1 266	1 496
Other deferred expenses	8 284	7 755
	9 550	**9 251**
Other assets	2 918	3 042
Foreign exchange transactions pending settlement	547	3 624
Securities transactions pending settlement - stock exchange transactions	238	303
Credit operations pending settlement	165 651	283 555
	169 354	**290 524**
	224 839	**353 422**

The caption 'Stock exchange transactions pending settlement' relates to the acquisition of securities for which settlement only occurred in the following month.

At 30 June 2019 and 31 December 2018, the caption 'Credit operations pending settlement' included:

- 119 157 t.euros and 224 613 t.euros, respectively, relating to securitisation operations carried out by Banco BPI (notes 8 and 15), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;

- 6 711 t.euros and 26 627 t.euros, respectively, relating to taxes paid but which were challenged by Banco BPI. At the date of the financial statements there was no expected date for a decision in this regard. The main ongoing tax processes concern processes paid under Decree-Law no. 248-A/02, of 14 November, in the amount of 5 126 t.euros. The remainder (1 585 t.euros) concerns other processes prior to the merger carried out in 2002, relating to tax processes of various types; In addition, the balance at 31 December 2018 also includes 19 916 t.euros relating to Banco BPI VAT processes arising from tax inspections carried out to financial years 2004 to 2009, which was paid under Decree-Law 151-A/13 of 31 October, and was simultaneously fully provisioned for due to the uncertainty about whether this amount would be recovered. Consequently, as of the date of the financial statements, the amount of the asset and liability arising from these processes was derecognised (Note 16);
- 2 216 t.euros and 2 683 t.euros, respectively, relating to home loans pending settlement.

14. NON-CURRENT ASSETS AND LIABILITIES AND DISPOSAL GROUPS CLASSIFIED AS AVAILABLE FOR SALE

This caption is made up as follows:

	30-06-2019	31-12-2018
Assets received in settlement of defaulting loans and other tangible assets		
Buildings	45 186	52 879
Equipment	234	225
Other	61	61
Impairment	(17 931)	(19 269)
	27 550	**33 896**

The values registered in this heading are valued according to the accounting policy referred to in Notes 2.15 and 41.2 of the 2018 annual report.

The changes in assets received in settlement of defaulting loans and other tangible assets during the first semester of 2019 were as follows

	Balance at 31-12-2018			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 30-06-2019		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	51 605	(18 879)	32 726	5 028	(12 621)	2 842	(1 518)	44 012	(17 555)	26 457
Equipment	225	(151)	74	187	(178)	11	(6)	234	(146)	88
Other	61	(61)						61	(61)	
Other tangible assets										
Buildings	1 274	(178)	1 096		(100)	29	(20)	1 174	(169)	1 005
	53 165	**(19 269)**	**33 896**	**5 215**	**(12 899)**	**2 882**	**(1 544)**	**45 481**	**(17 931)**	**27 550**

15. FINANCIAL LIABILITIES

The detail of the financial liabilities, except for the heading "Derivatives – Hedge Accounting", at 30 June 2019 and 31 December 2018, is as follows:

30-06-2019

	Financial liabilities held for trading	Financial liabilities at amortised cost	TOTAL
Trading derivatives	164 294		164 294
Deposits		25 860 466	25 860 466
Central Banks		1 350 100	1 350 100
Credit Institutions		1 399 694	1 399 694
Customers		23 110 672	23 110 672
Debt securities issued		1 490 319	1 490 319
Other financial liabilities		295 606	295 606
	164 294	**27 646 391**	**27 810 685**

31-12-2018

	Financial liabilities held for trading	Financial liabilities at amortised cost	TOTAL
Trading derivatives	141 335		141 335
Deposits		26 166 596	26 166 596
Central Banks		1 352 843	1 352 843
Credit Institutions		1 853 501	1 853 501
Customers		22 960 252	22 960 252
Debt securities issued		1 118 195	1 118 195
Other financial liabilities		230 954	230 954
	141 335	**27 515 745**	**27 657 080**

Financial assets at amortised cost

Deposits - Central Banks and Credit Institutions

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Deposits - Central Banks		
Deposits	1 363 830	1 363 830
Interest payable	(13 730)	(10 987)
	1 350 100	**1 352 843**
Deposits - Credit Institutions		
Loans and advances to credit institutions in Portugal		
Very short-term funds		26 201
Deposits	107 282	95 785
Other funds	270	820
Interest payable	83	112
	107 635	**122 918**
Funds of credit institutions abroad		
International financial organisations	471 186	471 052
Very short-term funds	42 957	
Deposits	308 269	564 864
Debt securities sold with repurchase agreement	458 609	663 117
Other funds	10 815	30 798
Interest payable	204	677
Commissions relating to amortised cost	19	75
	1 292 059	**1 730 583**
	1 399 694	**1 853 501**
	2 749 794	**3 206 344**

Deposits - Customers

The detail of this heading is as follows:

	30-06-2019	31-12-2018
By type		
Demand deposits	14 350 596	13 233 854
Term deposits	8 471 348	8 633 430
Saving accounts	48 648	50 199
Compulsory deposits	21 552	100 143
Debt securities sold with repurchase agreement	201 257	926 142
Interest payable	17 265	16 424
Commissions relating to amortised cost, net	6	60
	23 110 672	**22 960 252**
By sector		
Public sector	706 526	359 113
Private sector	22 404 146	22 601 139
	23 110 672	**22 960 252**

The portfolio of Customer deposits at amortised cost includes deposits designated as interest rate hedged liabilities, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to (17 200) t.euros and (3 560) t.euros, respectively.

Debt securities issued

The detail of this heading is as follows:

	30-06-2019				31-12-2018			
	Issues	Repurchased	Balance	Average interest rate	Issues	Repurchased	Balance	Average interest rate
Covered bonds	7 100 000	(6 050 000)	1 050 000		7 100 000	(6 550 000)	550 000	0.3%
Fixed-rate bonds	12 128	(1 929)	10 199		21 578	(3 285)	18 293	0.3%
Interest payable			291				57	
Commissions relating to amortised cost, net			(3 369)					
			1 057 121				**568 350**	
Other subordinated bonds	300 000		300 000	5.5%	300 000		300 000	5.5%
Interest payable			4 501				4 514	
			304 501				**304 514**	
Liabilities relating to assets not derecognised	4 218 506	(4 089 549)	128 957		4 540 366	(4 294 735)	245 631	
Interest payable			375				353	
Commissions relating to amortised cost, net			(635)				(653)	
			128 697				**245 331**	
			1 490 319				**1 118 195**	

The portfolio of debt issued at amortised cost includes securities designated as interest rate hedged liabilities, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to (8 124) t.euros and (34) t.euros, respectively.

Issuances, repurchases and repayments of debt securities

During the first semester of 2019, Banco BPI made de following issues of debt securities:

	Amount	Expiry	Interest rate
Mortgage bonds	500000	5 years	0.25%

In addition, during the first half of 2019, a collateralised bond issue fully repurchased in the amount of 500 000 t.euros was reimbursed, and there were other reimbursements in the amount of 7 980 t.euros and repurchases in the amount of 114 t.euros.

In 2018, the Bank made a collateralised bond issue in the amount of 850 000 t.euros, of which 300 000 t.euros were repurchased, reimbursed covered bonds (series 11) in the amount of 200 000 t.euros and reimbursed fixed-rate bonds in the amount of 16 345 t.euros.

Liabilities relating to assets not derecognised in securitisation operations

This caption is made up as follows:

	30-06-2019	31-12-2018
Liabilities relating to assets not derecognised in securitisation operations (Note 8CA)		
Non securitised loans		
Home loans	882 806	1 192 066
Loans to SMEs	3 335 700	3 348 300
Liabilities held by BPI	(4 089 549)	(4 294 736)
Interest payable	375	353
Commission relating to amortised cost, net	(635)	(653)
	128 697	**245 330**

At June 2019 the notes under the Securitisation of residential mortgage loans - Douro Mortgages No. 1 were reimbursed in advance. The impact on this caption was - 111 million euros.

Other Financial Liabilities

This caption is made up as follows:

	30-06-2019	31-12-2018
Other Customer funds		
Checks and orders payable	64 977	43 473
Guaranteed rate deposits	2 651	4 821
Interest payable	25	69
Creditors and other resources		
Creditors for futures operations	10 666	13 026
Consigned resources	41 888	35 555
Captive account resources	3 945	4 747
Captive account resources	9 544	11 540
Public sector		
VAT payable	125	272
Tax withheld at source	16 054	14 319
Contributions to the Social Security	3 710	3 786
Other	2 740	2 740
Contributions to other healthcare systems	1 350	1 337
Creditors for factoring agreements	16 851	43 854
Creditors for the supply of goods	5 519	7 988
Subscribed but not paid-up capital in venture capital funds		
Fundo de Recuperação, FCR	8 451	8 639
Fundo InterRisco II CI	5 176	5 428
Fundo InterRisco II - Fundo de Capital de Risco	1 452	1 601
Fundo de Reestruturação Empresarial, FCR	308	661
Fundo Pathena SCA Sicar	3 313	3 429
Other funds	635	7
Sundry creditors	18 285	23 662
Usage rights (IFRS 16)	77 940	
	295 605	**230 954**

At 1 January 2019 IFRS 16 - "Leases" entered into force, which implied an increase of 89 million euros under "Other Financial Liabilities" (Note 2.B - Comparability).

16. PROVISIONS AND CONTINGENT LIABILITIES

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Pending legal issues and tax litigation		
VAT Recovery processes (2003 to 2016)	9 795	29 711
Tax contingencies and other	12 655	12 534
Impairment and provisions for guarantees and commitments	20 689	23 212
	43 139	**65 457**

The movement in provisions during the first semester of 2019 was as follows:

	Balance at 31-12-2018	Increases	Decreases / Reversals	Amounts used	Balance at 30-06-2019
Pending legal issues and tax litigation	42 245	244	(112)	(19 928)	22 449
Commitments and guarantees given	23 212	705	(3 227)		20 690
	65 457	**949**	**(3 339)**	**(19 928)**	**43 139**

At 31 December 2018 the balance of provisions for pending legal issues and tax litigation included 19 916 t.euros in provisions for processes related to Banco BPI VAT arising from tax inspections carried out to financial years 2004 to 2009, which was paid under Decree-Law 151-A/13 of 31 October, and was simultaneously recognised under assets. In the first half of 2019 the Bank used these provisions and simultaneously derecognised the assets relating to those processes (Note 13).

Contingent liabilities

Competition Authority

In 2012, the Portuguese Competition Authority (CA), under the powers legally attributed to it, opened administrative infraction proceedings against 15 banks operating in the Portuguese market, including BPI, due to alleged competition restrictive practices. On 1 June 2015 Banco BPI was served the corresponding notice of illicit act. On 27 September 2017 the Bank presented its defence. During the process, and whenever appropriate, Banco BPI appealed against several interlocutory rulings issued by the Competition Authority, which the Bank considered as susceptible of violating its rights.

On 9 September 2019, the CA notified BPI and the other banks of its ruling whereby they had been found guilty. The penalty imposed on BPI was 30 million euros.

In its ruling, the CA:

a) Accuses BPI, as well as the other banks, of having engaged in exchanges of information during the period from May 2002 to March 2013 concerning (i) mortgage loan and consumer loan production volumes, and (ii) the commercial conditions for these types of loans and for loans to small businesses and SME, including spread tables;

b) Considers that such an exchange constitutes an infringement by object, i.e., an infringement which is deemed to have been committed irrespective of whether or not the conduct in question had negative effects on the competition, and therefore it is not necessary to prove such effects; in other words, for the infringement to be deemed as committed, it is sufficient to prove that the conduct is, in the abstract, capable of having adverse effects on competition.

Banco BPI argues that it did not commit the infringement of which it was accused by the CA, and will appeal from the aforementioned decision to the Competition, Regulation and Supervision Court, from where the appeal will be filed with the Lisbon Court of Appeal.

In addition to disputing that the exchange of information took place in the manner alleged in the decision imposing the sanction, BPI considers that the information allegedly exchanged, either on account of its form and the time at which such exchange occurred, or on account of its content, was not capable of producing negative effects on the competition, there being no grounds for the assumptions on which the existence of an infringement by object, and therefore the decision imposing the sanction, were based. It is also the understanding of BPI that the alleged exchange of information did not have any negative effects on the market or on consumers, but on the contrary, at least in part, that it had pro-competitive effects.

Based on this framework of non-existent grounds for the decision and sentencing to be maintained by a final court ruling, and supported by the substantiated opinion of external legal consultants, the Executive Committee of the Bank's Board of Directors believes that the probabilities of the process ending without the Bank having to pay a fine are higher than the reverse occurring, and therefore no provision for this process has been recognised in the Bank's financial statements as at 30 June 2019.

National Resolution Fund

There has been no change relative to the information published in Note 23. Provisions and contingent liabilities of the 2018 Annual Report.

17. OTHER LIABILITIES

This caption is made up as follows:

	30-06-2019	31-12-2018
Liabilities for pensions and other benefits		
Pension fund assets (Note 18)	(1 775 530)	(1 662 358)
Past service liabilities (Note 18)	1 855 545	1 695 496
	80 015	**33 138**
Expenses payable		
Staff Expenses	66 127	82 728
Other administrative expenses	35 362	63 249
Special tax on banks	7 801	15 187
Other	2 641	2 418
	111 931	**163 582**
Deferred income		
From guarantees given and other contingent liabilities	1 731	1 940
Other	73	119
	1 804	**2 059**
Other adjustment accounts		
Liabilities pending settlement	78 079	110 316
Other transactions pending settlement	207 101	197 025
	285 180	**307 341**
	478 930	**506 120**

At 30 June 2019 and 31 December 2018, the caption “Liabilities pending settlement” included:

- 3 144 t.euros and 66 641 t.euros, respectively, relating to transactions with loan securitisation funds;
- 21 767 t.euros and 24 501 t.euros, respectively, relating to ATM transactions pending settlement;
- 23 862 t.euros and 7 184 t.euros, respectively, relating to transactions with SIBS pending settlement;

At 30 June 2019 and 31 December 2018, the caption “Other transactions pending settlement” included 182 054 t.euros e 189 072 t.euros, respectively, relating to transfers under SEPA (Single Euro Payment Area).

18. LIABILITIES FOR PENSIONS AND OTHER BENEFITS

Past service liabilities for Pensioners, Employees and Directors that are, or have been, at the service of BPI companies[3], are calculated in accordance with IAS 19.

Benefits established by BPI are defined benefits based on the last salary earned and length of service, providing for the payment of benefits in the event of retirement due to old age or disability, death and end-of-career bonuses. The rules used to calculate these benefits are mainly drawn from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector. There is also a restricted group of management staff that is covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law no. 1-A / 2011 of 3 January, from 1 January 2011 all banking sector employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme, being henceforth covered by this scheme for old-age pensions as well as for maternity, paternity and adoption allowances, which the Bank ceased to support. Given the complementary nature of the scheme under the rules of the Collective Labour Agreement for the Portuguese Banking Sector ("ACT"), the Bank continues to cover the difference relative to the amount of the benefits paid under the General Social Security Regime for the eventualities covered and the benefits established in the ACT.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of past service liabilities remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única - TSU) at the rate of 23.6%.

Disability and survivor pensions and sick leave for these Employees continue to be the Bank's responsibility.

Decree-Law 127 2011 of 31 December established the transfer to the Social Security of liabilities for retirement and survivor pensions of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pillar 1), as well as the transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities. Since the transfer to the Social Security corresponded to a settlement, extinguishing the corresponding liability of Banco BPI, the negative difference (99 507 t.euros) between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI was fully recognised as a cost in 2011/12. For tax purposes, this cost is recognised over a period of 18 years.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates to the pensions mentioned above, according to the criteria set out in the ACT; (ii) the complementary benefits to the retirement and survivor pensions assumed by the ACT; (iii) the fixed contribution to the Social and Medical Support Services (SAMS); (iv) death allowance; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liabilities, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liabilities due to old age, and the "Single Successive Premiums" method was used to calculate the cost of the disability and survivor benefits.

The commitments assumed in the regulations of Banco BPI Pension Plans are funded by Pension Funds and therefore Banco BPI is exposed to risks resulting from the valuation of the liabilities and the value of the related pension funds. The Pension Funds of Banco BPI are disclosed in Note 34.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice no. 4/2005, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

[3] Fully consolidated companies (Banco BPI, BPI Investimentos and BPI Private Equity)

The main actuarial assumptions used to calculate the pension liabilities of Employees are as follows:

	30-06-2019	31-12-2018
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions		
Discount rate		
Start of the period	2.0%	2.0%
End of the period	1.5%	2.0%
Pensionable salaries growth rate [2]	1.0%	1.0%
Pensions growth rate	0.5%	0.5%

[1] Life expectancy considered for women was 3 years longer than considered in the mortality table used.

[2] The mandatory promotions under the current ACT and the projected seniority payments are considered separately, i.e., directly in the estimate of salaries evolution, corresponding to an increase of approximately 0.5%.

The past service liabilities for Pensioners and Employees of BPI and respective coverage by the Pension Fund present the following composition:

	30-06-2019	31-12-2018
Total past service liabilities	(1 796 280)	(1 639 393)
Net assets of the Pension Fund	1 718 500	1 612 353
Contributions to be transferred to the Pension Fund		5 547
Coverage surplus/(shortfall)	(77 780)	(21 493)
Coverage ratio of liabilities	96%	99%

The return of the pension fund in the first half of 2019 was 7.9% (non-annualised). The return of the pension fund in the period benefited from the value increase of the portfolio of fixed-rate bonds as a result of the decrease in market interest rates.

The movement in deviations during the first semester of 2019 was as follows:

Amount at 31-12-2018	**(212 528)**
Deviation in pension funds return	111 908
Changing financial and demographic assumptions	
Change in discount rate	(158 831)
Deviation in pensions paid	(840)
Other deviations	(9 551)
Amount at 30-06-2019	**(269 842)**

The Members of the Executive Committee of the Board of Directors of Banco BPI, S.A. and the former Board Members of Banco Português de Investimento benefit from a supplementary retirement and survivor pension plan, the funding coverage of which is ensured through a pension fund.

The main actuarial assumptions used to calculate the pension liabilities of Board members are as follows:

	30-06-2019	31-12-2018
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions		
Discount rate		
Start of the period	2.0%	2.0%
End of the period	1.5%	2.0%
Pensionable salaries growth rate	0.5%	0.5%
Pensions growth rates [2]	0.5%	0.5%

[1] Life expectancy considered for women was 3 years longer than considered in the mortality table used.

[2] Rate of increase corresponds to Consumer Price Index rate of change, as per the pension plan rules.

The past service liabilities for Board members and respective coverage by the Pension Fund present the following composition:

	30-06-2019	31-12-2018
Total past service liabilities	(59 265)	(56 103)
Net assets of the Pension Fund	57 030	50 005
Contributions to be transferred to the Pension Fund		5 413
Coverage surplus/(shortfall)	(2 235)	(685)
Coverage ratio of liabilities	96%	99%

In the first semester of 2019, the return of the pension fund was 5.8% (not annualized).

The changes in actuarial deviations during the first half of 2019 were as follows:

Amount at 31-12-2018	**(17 247)**
Deviation in pension funds return	2 398
Change in financial and demographic assumptions	
Change in discount rate	(3 576)
Deviation in pensions paid	115
Other deviations	(221)
Amount at 30-06-2019	**(18 531)**

19. SHAREHOLDERS' EQUITY

Capital

At 30 June 2019 and 2018, Banco BPI's share capital was 1 293 063 t.euros, represented by 1 456 924 237 ordinary dematerialised registered shares with no nominal value.

Other equity instruments and treasury shares

This caption has the following composition:

	30-06-2019	31-12-2018
Other equity		
Cost of shares to be made available to Group Employees		371
	0	**371**

The caption 'Other equity' includes the accrued costs of the share-based variable remuneration program (RVA) relating to shares to be made available.

From 2018 onwards, and with reference to the 2017 variable remuneration program, in accordance with the Remuneration Policies approved for the members of the Board of Directors and members of the Identified Collective, any payments in equity instruments will be made, preferably, in CaixaBank shares.

In 2017 and 2018, considering the process of acquisition of the entire share capital of Banco BPI by CaixaBank and the impossibility of delivering BPI shares, all previous years' programs involving Banco BPI shares and options were concluded.

Accumulated other comprehensive income

The main movements in Accumulated other comprehensive income are shown in detail in the tables of the interim consolidated statements of profit and loss and other comprehensive income.

Retained earnings and other reserves

This caption is made up as follows:

	30-06-2019	31-12-2018
Retained earnings		
Legal reserve	244 789	153 358
Other reserves and retained earnings	1 638 485	1 001 557
Reserves of fully consolidated companies	20 078	396 380
Profit/(loss) generated on change of accounting policies		(2 837)
	1 903 352	**1 548 458**
Other reserves		
Merger reserve	2 530	2 530
Reserves of equity consolidated companies	119 546	124 294
	122 076	**126 824**

In accordance with Article 97 of the General Law on Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92 of 31 December and amended by Decree-Law no. 201/2002 of 26 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

20. TAX POSITION

Tax assets and liabilities

The breakdown of tax assets and liabilities is as follows:

Tax assets

	30-06-2019	31-12-2018
Current tax assets	4 722	3 701
Recoverable VAT	16 013	20 049
Deferred tax assets	311 927	329 013
	332 662	**352 763**

Tax liabilities

	30-06-2019	31-12-2018
Current tax liabilities	2 805	2 750
Deferred tax liabilities	70 298	71 052
	73 103	**73 802**

Deferred tax assets and liabilities

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax losses carried forward and tax credits are also recognised as deferred tax assets.

In accordance with IAS 12, deferred tax assets and liabilities are recognised to the extent that it is probable that taxable profits will be available in the future against which they can be utilised. Accordingly, Banco BPI prepared future taxable income projections to support the deferred tax assets accounted for.

Deferred tax assets and liabilities were measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability settled.

The breakdown of deferred tax assets in 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Tax losses	20 570	20 372
Application of Art. 4 of the regime set forth in Law 61/2014	5 460	5 170
Taxed provisions and impairments	166 231	179 743
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	15 925	16 682
Early retirement	29 277	33 059
Actuarial deviations	66 806	66 837
Other	7 658	7 150
	311 927	**329 013**

At 30 June 2019 the amount of deferred tax assets generated until 2015 that could benefit from the Special regime approved by Law no. 61/2014 of 26 August was 108 728 t.euros.

The breakdown of deferred tax liabilities in 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Taxable temporary differences in subsidiaries and associated companies (BCI)	8 417	8 045
Financial instruments at fair value	59 878	62 747
Other	2 003	260
	70 298	**71 052**

At 30 June 2019, the caption Financial instruments at fair value included 48 648 t.euros in deferred tax liabilities associated with the unrealised capital gain in BFA.

Profits distributed to Banco BPI by subsidiaries and associated companies are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporate Income Tax Code, which provides for the elimination of double taxation of profits distributed.

In this context, Banco BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in associated companies, since the stake held by BPI is higher than 10% and has been held for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liabilities relating to taxation in Mozambique of all the distributable profits are recognised.

BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future.

21. OFF BALANCE SHEET ITEMS

This caption is made up as follows:

	30-06-2019	31-12-2018
Loan commitments given		
Irrevocable credit lines	164	161
Securities subscribed	432 622	475 233
Revocable commitments	2 231 585	2 125 400
	2 664 371	**2 600 794**
Financial guarantees given		
Financial guarantees and sureties	231 790	241 355
Financial standby letters of credit	6 954	7 280
Documentary credits	157 578	192 339
	396 322	**440 974**
Other commitments given		
Non-financial guarantees and sureties	1 174 701	1 169 116
Non-financial standby letters of credit	18 648	25 475
Term liabilities for annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term liabilities for annual contributions to the Resolution Fund	8 713	6 715
Potential liability to the Investor Compensation Scheme	10 925	11 639
Other irrevocable commitments	979	732
	1 252 680	**1 252 391**
	4 313 373	**4 294 159**
Assets pledged as collateral		
European System of Central Banks	7 546 673	7 939 263
Deposit Guarantee Fund	45 229	43 341
Investors Compensation Scheme	5 841	5 926
European Investment Bank	618 783	619 956
Reports	669 872	1 604 613
Other collateral	33	53
	8 886 431	**10 213 152**

The breakdown by stage of the exposure and impairment in guarantees and commitments at 30 June 2019 is as follows:

	Exposure				**Impairments**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments given	2 604 704	55 522	4 145	2 664 371	33	2	6	41
Financial guarantees given	392 138	3 069	1 115	396 322	348	217	606	1 171
Other commitments given	1 104 560	55 081	93 039	1 252 680	313	520	18 645	19 478
	4 101 402	113 672	98 299	4 313 373	694	739	19 257	20 690

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2018 is as follows:

	Exposure				**Impairments**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments given	2 561 990	34 174	4 630	2 600 794	57	1	7	65
Financial guarantees given	436 855	3 240	879	440 974	402	36	549	987
Other commitments given	1 103 616	53 153	95 622	1 252 391	296	457	21 407	22 160
	4 102 461	90 567	101 131	4 294 159	755	494	21 963	23 212

22. NET INTEREST INCOME

This Caption is made up as follows:

	30-06-2019	30-06-2018
Interest income		
Financial assets held for trading	25 173	20 360
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	2 339	2 644
Financial assets at fair value through other comprehensive income	5 761	6 308
Financial assets at amortised cost		
Debt securities	14 022	12 427
Loans and advances - central banks and other credit institutions	5 600	3 917
Loans and advances - Customers	194 008	186 305
Derivatives - Hedge accounting, interest rate risk	5 837	671
Interest on demand deposits at Banco de Portugal	(3 055)	
Other assets	621	2 294
Interest income on liabilities	2 694	1 209
Commissions received relating to amortised cost	11 216	10 506
	264 216	**246 641**
Interest expense		
Financial liabilities held for trading	(12 307)	(10 006)
Financial liabilities at amortised cost		
Deposits - Credit Institutions	(3 399)	(2 207)
Deposits - Customers	(12 098)	(9 643)
Debt securities issued	(12 425)	(10 682)
Derivatives - Hedge accounting, interest rate risk	(7 089)	(5 768)
Other liabilities	(1 901)	(1 045)
Interest expense on assets	(2)	(12)
Commissions paid relating to amortised cost	(216)	(118)
	(49 437)	**(39 481)**
Net interest income	**214 779**	**207 160**

23. DIVIDEND INCOME

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Financial assets at fair value through other comprehensive income		
Banco de Fomento Angola, S.A.	46 003	
SIBS - Sociedade Interbancária de Serviços	1 573	1 116
Other	680	355
	48 256	**1 471**

24. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Fee and commission income		
On guarantees provided	6 820	6 878
On commitments to third parties	1 297	2 044
On other banking services provided	118 369	132 116
On operations performed on behalf of third parties	5 533	6 710
Other	250	194
Refund of expenses	2 200	5 644
Income from provision of sundry services	4 633	4 430
	139 102	**158 016**
Fee and commission expenses		
For guarantees received	(25)	(24)
On financial instruments transactions	(186)	(131)
On banking services provided by third parties	(5 900)	(18 007)
On operations performed by third parties	(1 538)	(1 577)
Commission-equivalent expenses	(3 133)	(3 350)
Other	(1 158)	(291)
	(11 940)	**(23 380)**

The reduction in fee and commission income and fee and commission expenses in the first half of 2019, compared to the 1st half of 2018, is in part explained by the effect of the sale of the cards, acquiring and investment banking businesses, estimated in -18 million euros.

25. GAINS / (LOSSES) OF FINANCIAL ASSETS AND LIABILITIES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**(347)**	**3 475**
Financial assets at fair value through other comprehensive income		
Debt securities		416
Financial assets at amortised cost		
Debt securities	(354)	(514)
Financial liabilities at amortised cost	6	3 572
Other	1	1
Gains/(losses) on financial assets and liabilities held for trading, net	**(817)**	**26 189**
Financial assets held for trading		
Trading derivatives	(10 583)	31 965
Debt securities	1 179	189
Equity instruments	8 587	(5 965)
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	**(7 338)**	**60 314**
Debt securities	1 896	(1 898)
Equity instruments	(9 234)	62 212
Gains/(losses) from hedge accounting (net)	**971**	**425**
Hedging derivatives (Note 9)	(5 729)	8 846
Hedged items (Note 9)	6 700	(8 421)
Exchange differences (gain/loss), net	**1 264**	**(16 598)**
	(6 267)	**73 805**

At 30 June 2019 and 2018 the caption "Gains / (losses) on financial assets and liabilities held for trading - Hedging derivatives" included:

- (8 680) t.euros and 5 472 t.euros, respectively, concerning equity swaps contracted with Customers, which are hedged through a portfolio of equities, in the caption "Gains / (losses) on financial assets and liabilities held for trading - Equity instruments";
- (2 213) t.euros and 8 486 t.euros, respectively, in gains and losses on the revaluation of CVAs (Credit Valuation Adjustments) in derivatives contracted with Customers;
- 17 163 t.euros on 30 June 2018 in gains/(losses) on derivatives to hedge foreign exchange risk.

At 30 June 2018, gains/(losses) on equity instruments not designated for trading compulsorily measured at fair value through profit or loss, included 59 581 t.euros relating to the sale of the equity holding in Viacer - Sociedade Gestora de Participações Sociais, Lda.

26. OTHER OPERATING INCOME AND EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018 Restated
Other operating income		
Service provision agreements with CaixaBank Group companies	6 591	2 390
Gains on finance leases	9 986	6 355
Other operating income	1 884	2 720
	18 461	**11 465**
Other operating expenses		
Subscriptions and donations	(663)	(1 354)
Contributions to the Deposit Guarantee Fund	(35)	(34)
Contribution to the Resolution Fund	(6 970)	(5 452)
Contributions to the Single Resolution Fund	(11 321)	(11 761)
Contribution to the Investor Compensation Scheme	(7)	(7)
Losses on finance leases	(9 552)	(6 103)
Other operating expenses	(1 021)	(517)
Indirect taxes	(1 079)	(1 271)
Direct taxes	(4 859)	(519)
	(35 507)	**(27 018)**

As of 30 June 2019, the direct taxes caption includes 4 600 t.euros relating to dividend taxes paid by BFA in Angola.

27. STAFF EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Staff expenses		
Remuneration	(96 011)	(94 188)
End-of-career bonus	(294)	(235)
Other mandatory social costs	(25 897)	(25 784)
Pension costs		
Current service cost	2 952	2 429
Interest cost relating to the liabilities	(15 747)	(16 495)
Income on plan assets computed based on the discount rate	15 445	16 636
Other	(280)	(381)
Other staff costs	(2 400)	(1 230)
	(122 232)	**(119 248)**
Costs with early retirements and terminations		
Early retirements	1	(3 353)
Voluntary terminations	(17)	(4 227)
	(16)	**(7 580)**
	(122 248)	**(126 828)**

28. OTHER ADMINISTRATIVE EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
General administrative expenses		
Supplies		
Water, energy and fuel	(3 513)	(3 430)
Consumables	(953)	(941)
Other	(235)	(209)
Services		
Rents and leases	(5 521)	(20 522)
Communications and IT	(21 932)	(17 545)
Travel, lodging and representation	(2 033)	(2 431)
Advertising and publishing	(4 780)	(6 476)
Maintenance and repairs	(5 753)	(7 125)
Insurance	(791)	(925)
Fees	(1 435)	(1 936)
Legal expenses	(1 806)	(2 511)
Security and cleaning	(2 374)	(2 056)
Information services	(1 242)	(2 156)
Temporary labour	(225)	(1 122)
Studies, consultancy and auditing	(7 396)	(3 693)
SIBS	(1 673)	(1 626)
Other	(13 753)	(9 761)
	(75 415)	**(84 465)**

At 30 June 2019 and 2018 the caption Rents and leases included 313 t.euros and 14 341 t.euros, respectively, concerning rents paid for buildings and commercial spaces used by the Bank. Following the coming into force of IFRS16, costs with real estate lease agreements are now recognised as the amortisation of the right-of-use, in the income statement captions Depreciation and amortisation and Interest expense, amounting to 12 159 t.euros and 505 t.euros, respectively.

29. IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Financial assets at amortised cost		
Loans and advances		
Net allowances		
Credit Institutions	269	(168)
Customers	2 067	6 728
Recovery of loans written off from assets	5 933	6 967
Debt securities		
Net allowances	66	63
	8 335	**13 590**

30. GAINS / (LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS

The detail of this heading is as follows:

	30-06-2019	30-06-2018 Restated
Gains in non-financial assets		
Gains in other tangible assets		43
		43
Losses in non-financial assets		
Losses in other tangible assets	(1 476)	(1 847)
	(1 476)	**(1 847)**
	(1 476)	**(1 804)**

31. PROFIT/(LOSS) FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

This caption is made up as follows:

	30-06-2019	30-06-2018 Restated
Profit/(loss) on assets received in settlement of defaulting loans		
Properties	1 246	1 726
Equipment	(14)	(6)
Impairments on assets received in settlement of defaulting loans		
Properties	(1 518)	(961)
Equipment	(6)	(19)
Impairments on other tangible assets		
Properties	(20)	(37)
Other profit/(loss)	242	243
	(70)	**946**

32. PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS

During the first semester of 2018, the contribution of BPI Gestão de Activos and BPI GIF and the respective capital gains on sale, were included in the income statement caption ''Profit/(loss) after tax from discontinued operations'', broken down as follows:

	30-06-2018
	BPI Gestão de Activos and BPI GIF
Net Interest Income	**(1)**
Technical result of insurance contracts	
Fee and commission income and expenses	5 747
Gains/(losses) in financial operations	3
Other operating income and expenses	(118)
Gross income	**5 631**
Administrative expenses	(2 431)
Net income before income tax	**3 200**
Taxes	(741)
Net profit/(loss)	**2 459**
Gain/(loss) on sale	61 755
Profit/(loss) after tax from discontinued operations	**64 214**

33. PROFIT

In the first six months of 2019 and 2018, the contribution of Banco BPI and its subsidiaries and associates to the consolidated net income was as follows:

	30-06-2019	30-06-2018
Banks		
Banco BPI, S.A.	114 210	207 966
Banco Português de Investimento, S.A.	(233)	(1 613)
Banco de Fomento Angola, S.A.[1]		140 007
Banco Comercial e de Investimentos, S.A.R.L.	9 510	7 071
Asset management		
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.		1 724
BPI - Global Investment Fund Management Company, S.A.		735
BPI (Suisse), S.A.	638	985
Venture / development capital		
BPI Private Equity - Sociedade de Capital de Risco, S.A.	(473)	585
Inter-Risco - Sociedade de Capital de Risco, S.A.	(20)	(42)
Insurance		
Cosec - Companhia de Seguros de Crédito, S.A.	2 965	2 111
Companhia de Seguros Allianz Portugal, S.A.	6 289	4 148
Other		
BPI, Inc	(4)	(4)
BPI Madeira, SGPS, Unipessoal, S.A.	(11)	(20)
BPI Capital Africa		187
Unicre - Instituição Financeira de Crédito, S.A.	1 579	2 217
	134 450	**366 057**

[1] In December 2018, the equity holding in BFA was reclassified to financial assets at fair value through other comprehensive income - equity instruments and BPI no longer appropriates its results (Note 10).

34. RELATED PARTIES

In accordance with IAS 24, the entities considered to be related to Banco BPI are:

- those in which the Bank has direct or indirect significant influence over their management and financial policies – Associated companies and jointly controlled entities and pension funds;
- those that have direct or indirect significant influence over the management and financial policies of the Bank – Shareholders, this is presumed to happen when the equity holding is greater than 20%;
- the members of the key management personnel of Banco BPI, such being considered for this purpose the executive and non-executive members of the Board of Directors and individual persons and companies related with them.

In accordance with these criteria, BPI's related parties at 30 June 2019 were the following:

Name of related entity	Registered office	Effective holding	Direct holding
Shareholders of Banco BPI			
CaixaBank Group	Spain	100.0%	
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Unicre - Instituição Financeira de Crédito, SA	Portugal	21.0%	21.0%
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	7.7%	
Fundo de Pensões Aberto BPI Valorização	Portugal	38.6%	
Fundo de Pensões Aberto BPI Segurança	Portugal	22.0%	
Fundo de Pensões Aberto BPI Garantia	Portugal	7.6%	
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
Pablo Forero			
António Lobo Xavier			
Alexandre Lucena e Vale			
António Farinha Morais			
António José Cabral			
Cristina Rios Amorim			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Natividad Capela			
Pedro Barreto			
Tomás Jervell			

At 30 June 2019 the total amount of assets, liabilities and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI's Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	255				936
Financial assets held for trading	16 151				
Financial assets not designated for trading compulsorily measured at fair value through profit or loss - equity instruments	991				
Financial assets at fair value through other comprehensive income - equity instruments	648				50 025
Financial assets at amortised cost					
Debt securities					90 000
Loans and advances - central banks and credit institutions		18 533			
Loans and advances - Customers	175 567			3 056	45 717
Derivatives - Hedge accounting	6 946				
Tangible assets	247				
Intangible assets	11 362				
Other assets	20 221	12 730			
	232 388	**31 263**		**3 056**	**186 678**
Liabilities					
Financial liabilities held for trading	15 628				
Financial liabilities at amortised cost					
Deposits - Customers	357 988	29 737	96 664	7 124	11 321
Deposits - Credit Institutions	5 646	3 218			30
Debt securities issued	304 501				
Other financial liabilities	4	(3)		24	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	57				
Provisions - Commitments and guarantees given					3
Other liabilities	945				
	684 769	**32 952**	**96 664**	**7 148**	**11 354**
Shareholders' equity					
Fair value changes of equity instruments measured at fair value through other comprehensive income					
Off-balance sheet items					
Guarantees given and other contingent liabilities					
Guarantees and sureties	341	11 903	60	3	3 892
Guarantees received				90	1 055
Commitments to third parties					
Revocable commitments	56 725	5 000		36	29 570
Liabilities for services provided					
Deposit and safekeeping of valuables	6 228 386	1 173 995	1 717 668	2 888	125 272
Other	37 663				
Foreign exchange transactions and derivative instruments					
Purchase	1 283 523				
Sale	(1 113 048)				
Written-off loans					200
	6 493 590	**1 190 898**	**1 717 728**	**3 017**	**159 989**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 31 December 2018 the total amount of assets, liabilities and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI's Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	7 941				
Financial assets held for trading	3 547				
Financial assets at fair value through other comprehensive income - equity instruments	618				50 000
Financial assets at amortised cost					
Debt securities					55 000
Loans and advances - central banks and credit institutions	94	24 714			
Loans and advances - Customers	200 661			7 319	50 756
Derivatives - Hedge accounting	3 312				
Tangible assets	167				
Intangible assets	12 728				
Other assets	18 699	24 436			
Non-current assets and disposal groups classified as held for sale					
	247 767	**49 150**		**7 319**	**155 756**
Liabilities					
Financial liabilities held for trading	1 421				
Financial liabilities at amortised cost					
Deposits - Customers	623 990	19 855	90 690	6 604	22 606
Deposits - Credit Institutions	14 485	1 272			
Debt securities issued	304 514				
Other financial liabilities	3	97		24	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	86				
Provisions - Commitments and guarantees given					1
	944 499	**21 224**	**90 690**	**6 628**	**22 607**
Shareholders' equity					
Fair value changes of equity instruments measured at fair value through other comprehensive income	(188)				
	(188)				
Off-balance sheet items					
Guarantees given and other contingent liabilities					
Guarantees and sureties	341	11 870	60	3	3 509
Guarantees received				2 298	1 783
Commitments to third parties					
Revocable commitments	225	5 000		53	27 558
Irrevocable commitments					10 000
Liabilities for services provided					
Deposit and safekeeping of valuables	5 817 006	1 114 160	1 598 194	6 754	38 584
Other					2 500
Foreign exchange transactions and derivative instruments					
Purchase	997 170				
Sale	(751 779)				
Written-off loans					200
	6 062 963	**1 131 030**	**1 598 254**	**9 108**	**84 134**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 30 June 2019, the total amount of results relating to transactions with Banco BPI Shareholders, associated and jointly controlled companies, pension funds of BPI's Employees, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	**Associated and jointly controlled entities**	**Pension Funds of BPI Employees**	**Members of the Board of Directors of Banco BPI**	**Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]**
Results					
Net interest income	(4)	30	(118)	(2)	246
Dividend income					1 573
Fee and commission income	21 266	26 360	5	2	3
Fee and commission expenses	(1 437)	(22)			
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	36				
Gains/(losses) from hedge accounting, net	28				
Other operating income	6 930				
Administrative expenses - Other administrative expenses	(2 130)	(485)	(6 360)		
Depreciation	(2 498)				
Provisions or reversal of provisions - Commitments and guarantees given					(2)
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss				6	(15)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	230				
	22 421	**25 883**	**(6 473)**	**6**	**1 805**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 30 June 2018, the total amount of results relating to transactions with Banco BPI Shareholders, associated and jointly controlled companies, pension funds of BPI's Employees, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	**Associated and jointly controlled entities**	**Pension Funds of BPI Employees**	**Members of the Board of Directors of Banco BPI**	**Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]**
Results					
Net interest income	(4 595)	(1 603)	(396)	(2)	245
Dividend income					1 116
Fee and commission income	17 272	25 717	207	1	2
Gains/(losses) from hedge accounting, net	105				
Other operating income	2 446	30			
Administrative expenses - Other administrative expenses	(1 015)	(479)	(7 659)		
Provisions or reversa of provisions - Commitments and guarantees given		20			79
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	2			8	246
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	230				
Profit/(loss) before tax from discontinued operations	61 755				
	76 200	**23 685**	**(7 848)**	**7**	**1 688**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

35. WORKFORCE AND COMMERCIAL UNITS

In the periods of six months ended at 30-06-2019 and 30-06-2018 the average headcount was broken down as follows:

	30-06-2019		30-06-2018	
	Men	**Women**	**Men**	**Women**
Directors[1]	8		8	
Senior management	255	134	286	148
Other management staff	1 776	2 442	1 721	2 272
Other employees	97	140	213	322
	2 136	**2 716**	**2 228**	**2 742**

[1]Executive Directors of Banco BPI.

In the periods of six months ended at 30-06-2019 and 30-06-2018 the headcount was broken down as follows:

	30-06-2019		30-06-2018	
	Men	**Women**	**Men**	**Women**
Directors[1]	8		8	
Senior management	251	133	285	147
Other management staff	1 776	2 449	1 700	2 271
Other employees	95	140	195	297
	2 130	**2 722**	**2 188**	**2 715**

[1]Executive Directors of Banco BPI.

At 30 June 2019 and 31 December 2018 the commercial units were broken down as follows:

	30-06-2019	31-12-2018
Activity in Portugal	**486**	**495**
Branches	413	422
Premier centres	37	39
Corporate centres	36	34
	486	**495**

36. INFORMATION ON FAIR VALUE

The fair value of financial instruments is estimated, whenever possible, based on prices in an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and where transactions are carried out on a regular basis. For financial instruments for which there is no active market, due to lack of liquidity or regular transactions, valuation methods and techniques are used to estimate fair value.

36.1. Fair value on financial instruments

Financial instruments on the balance sheet at fair value are classified into levels using the hierarchy defined in IFRS 13.

Debt securities and equity instruments

- **Level 1:** This category includes, in addition to financial instruments listed on regulated markets, bonds and participating units in harmonised funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

  The classification of fair value in level 1 is made automatically by SIVA ("Asset Valuation Integrated System") whenever the financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

  (i) financial instruments are priced daily by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;
  (ii) such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

  For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 2:** Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2. Level 2 fair value classification is determined automatically by SIVA in accordance with the following rules:

  a) Financial instruments are classified daily in Level 2 if they are:

  (i) Quoted by less than 6 contributors, regardless of the type of price, or;
  (ii) valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;
  (iii) valued based on third party indicative purchase prices, based on observable market data, and
  (iv) have been classified as level 1 and level 2, in accordance with the rules mentioned above, in at least 50% of the last 30 calendar days.

  b) For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 3:** Financial instruments are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

  a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

  (i) valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;
  (ii) valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or
  (iii) valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of notes held, delinquency rates of the underlying assets, evolution of ratings, among others).

  b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

Derivative financial instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (mainly stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- **Level 1:** This category includes futures and options and other derivative financial instruments traded on regulated markets.

- **Level 2:** Level 2 includes derivatives, traded on over-the-counter markets, without an optional component.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- **Level 3:** Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements.

  The valuation of options is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market). The theoretical models used to value derivatives classified in Level 3 are of two types:

  (i) For simpler options the Black-Scholes model and their derivatives is used (commonly used models by the market in the valuation of this type of operation). The unobservable market inputs (implied volatility of the underlying assets) are collected from Bloomberg.

  (ii) For exotic options or complex derivatives incorporating optional elements for which there are no valuation models available, the Bank contracts specialized entities that perform the valuation of these operations based on specific models that they develop using criteria and methodologies generally accepted by the sector for these types of instruments. On 31 December 2018, there were no outstanding operations of this type, therefore the Bank did not use valuations prepared by these entities.

In accordance with the policy defined by the Banco BPI as regards the management of exposures in options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges and portfolio hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the Bank's income statement, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences, the models or assumptions are reviewed.

The valuation of the non-optional components, not adjusted for credit risk (cash flows from operations), is made based on discounted cash flows, using a methodology similar to that used for derivatives without an optional component. Nevertheless, the derivative instrument is classified (as a whole) in level 3.

Financial instruments recorded in the balance sheet at amortised cost

The fair value of financial instruments recorded in the balance sheet at amortised cost is determined by Banco BPI through valuation techniques.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Financial assets at amortised cost - Loans and advances to Central Banks and Credit Institutions, and Financial liabilities at amortised cost - deposits from Central Banks and Credit institutions, were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issuances;

- in operations with Customers (Financial assets at amortised cost - loans and advances to Customers and Financial liabilities at amortised cost - Customer deposits), the weighted average of the reference rates used by the Bank in the previous month to contract similar operations is considered;

- for bonds issued (Financial liabilities at amortised cost - debt securities issued), the Bank considered the reference interest rates and spreads available in the market, considering the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used issuance proposals submitted to the Bank by other credit institutions, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts.

For on demand operations (namely Cash and cash balances at central banks and other demand deposits, and deposits included in Financial liabilities at amortised), fair value corresponds to the respective balance-sheet value.

Note that the fair value presented for these financial instruments may not correspond to their realizable value in a sale or liquidation scenario, as it was not determined for that purpose.

The fair value of the financial assets on the balance sheet, broken down by levels, is as follows:

	30-06-2019					31-12-2018				
		Fair value					Fair value			
	Book value	**Total**	Level 1	Level 2	Level 3	**Book value**	**Total**	Level 1	Level 2	Level 3
Financial assets held for trading	**246 123**	**246 123**	**83 351**	**126 374**	**36 398**	**226 772**	**226 772**	**83 415**	**122 162**	**21 195**
Derivatives	152 050	152 050	247	125 329	26 474	131 708	131 708	712	119 162	11 834
Equity instruments	81 581	81 581	81 581			81 171	81 171	81 171		
Debt securities	12 492	12 492	1 523	1 045	9 924	13 893	13 893	1 532	3 000	9 361
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**214 824**	**214 824**	**991**		**213 833**	**228 582**	**228 582**			**228 582**
Equity instruments	151 403	151 403	991		150 412	168 594	168 594			168 594
Debt securities	63 421	63 421			63 421	59 988	59 988			59 988
Financial assets at fair value through other comprehensive income	**2 143 468**	**2 143 468**	**1 558 882**	**9 090**	**575 496**	**1 875 160**	**1 875 160**	**1 278 796**	**6 888**	**589 476**
Equity instruments	586 130	586 130	1 544	9 090	575 496	597 740	597 740	1 376	6 888	589 476
Debt securities	1 557 338	1 557 338	1 557 338			1 277 420	1 277 420	1 277 420		
Financial assets at amortised cost	**25 950 868**	**26 247 336**		**793 942**	**25 453 394**	**25 671 943**	**27 899 914**		**720 510**	**27 179 404**
Debt securities	3 685 784	3 667 400			3 667 400	3 516 814	3 516 513			3 516 513
Loans and advances	22 265 084	22 579 936		793 942	21 785 994	22 155 129	24 383 401		720 510	23 662 891
Central Banks and Credit Institutions	800 550	793 942		793 942		790 659	783 908		720 510	63 398
Customers	21 464 534	21 785 994			21 785 994	21 364 470	23 599 493			23 599 493
Derivatives - Hedge accounting	**34 522**	**34 522**		**34 522**		**14 320**	**14 320**		**14 320**	
Total	**28 589 805**	**28 886 273**	**1 643 224**	**963 928**	**26 279 121**	**28 016 777**	**30 244 748**	**1 362 211**	**863 880**	**28 018 657**

The fair value of financial liabilities on the balance sheet, broken down by levels, is as follows:

	30-06-2019					31-12-2018				
		Fair value					Fair value			
	Book value	**Total**	Level 1	Level 2	Level 3	**Book value**	**Total**	Level 1	Level 2	Level 3
Financial liabilities held for trading	**164 294**	**164 294**	**26**	**145 577**	**18 691**	**141 335**	**141 335**	**83**	**136 531**	**4 721**
Derivatives	164 294	164 294	26	145 577	18 691	141 335	141 335	83	136 531	4 721
Financial liabilities at amortised cost	**27 646 390**	**27 723 141**		**1 341 967**	**26 381 175**	**27 515 745**	**27 532 378**		**1 352 964**	**26 179 414**
Deposits	25 860 466	25 879 881		1 341 967	24 537 914	26 166 596	26 158 936		1 352 964	24 805 972
Central Banks	1 350 100	1 341 967		1 341 967		1 352 843	1 352 964		1 352 964	
Credit Institutions	1 399 694	1 391 214			1 391 214	1 853 501	1 841 891			1 841 891
Customers	23 110 672	23 146 701			23 146 701	22 960 252	22 964 081			22 964 081
Debt securities issued	1 490 319	1 547 667			1 547 667	1 118 195	1 142 488			1 142 488
Other financial liabilities	295 605	295 593			295 593	230 954	230 954			230 954
Derivatives - Hedge accounting	**76 363**	**76 363**		**76 363**		**56 010**	**56 010**		**56 010**	
Total	**27 887 047**	**27 963 798**	**26**	**1 563 907**	**26 399 865**	**27 713 090**	**27 729 723**	**83**	**1 545 506**	**26 184 134**

To determine whether there had been significant changes in the value of the Bank's subsidiaries due to changes in assumptions or valuation parameters, the Dividend Discount Method (DDM) assessment of the Bank's most significant holding, BFA, included making sensitivity analysis of its value to the projected macroeconomic scenario for Angola, objective capital ratio, cost of capital and growth rate in perpetuity. It should be noted that all other methodologies used yielded higher values than obtained through the DDM.

The movement in level 3 financial assets at fair value and financial liabilities held for trading, during the first six months of 2019, and in 2018 was as follows:

	30-06-2019					31-12-2018				
	Financial assets and liabilities held for trading		Financial assets not designated for trading compulsorily measured at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Financial assets and liabilities held for trading		Financial assets not designated for trading compulsorily measured at fair value through profit or loss		Financial assets at fair value through other comprehensive income
	Debt securities	Trading derivatives[1]	Equity instruments	Debt securities	Equity instruments	Debt securities	Trading derivatives[1]	Equity instruments	Debt securities	Equity instruments
Balance at beginning of period	**9 361**	**7 113**	**168 594**	**59 988**	**589 476**	**12 184**	**4 734**	**243 048**	**54 983**	**74 673**
Total profit or loss	370		(9 411)	3 070	(15 271)	(137)		117 183	(1 814)	(18 235)
Losses or gains	370	1 342	(9 411)	3 070		(3)	34 136	115 889	(867)	(13 683)
Adjustments to equity					(15 271)	(134)		1 294	(947)	(4 552)
Purchases	193		17 279	375	1 901	2 870		21 577	6 982	16 841
Liquidations and other		(672)	(26 049)	(12)	(610)	(5 556)	(31 757)	(213 214)	(163)	516 197
Balance at end of period	**9 924**	**7 783**	**150 412**	**63 421**	**575 496**	**9 361**	**7 113**	**168 594**	**59 988**	**589 476**

[1] Net value

37. SUBSEQUENT EVENTS

The public deed of the merger by incorporation of Banco Português de Investimento S.A. and BPI Private Equity – Sociedade de Capital de Risco, S.A. into Banco BPI, SA. was signed on 25 July.

The merger had already been publicly announced in October 2018. The merger, and consequent extinction of the two companies, became effective on 31 July 2019, with retroactive effects on the accounts as of 1 January 2019. The aim of these mergers by incorporation and legal extinction of the referred companies is to simplify the structure of BPI.

Law no. 98/2019, amending the provisions of the Corporate Income Tax Code with regard to the possibility of tax deduction of loan impairments, was published on the Diário da República on 4 September. This new regime provides for the possibility of any loan impairments recognised being deducted from the taxable profit of financial institutions, aligning the tax regime with the accounting regime and thus avoiding the generation of new deferred tax assets in this respect. The only exclusions from this alignment of the tax regime with the accounting regime are credits where the debtor is the state, a subsidiary or company holding more than 10% of the financial institution's share capital and members of its corporate bodies. With regard to impairments recognised prior to the adoption of the new regime, the former regime will continue to apply. Also in accordance with the referred regime, during the next five years, starting in 2019, financial institutions will be allowed to choose when to start adopting the new tax regime. The decision to adopt the new regime must be notified to the Tax and Customs Authority up to 30 October of the year in which this choice will apply.

38. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Review Report on the Condensed Consolidated Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Banco BPI, S.A. ("Grupo", "Banco BPI" or "Banco"), which comprise the condensed consolidated statement of financial position as at June 30, 2019 (which shows total assets of Euros 31.669.064 thousand and total shareholder's equity of Euros 3.161.521 thousand, including a net profit of Euros 134.450 thousand, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying condensed consolidated financial statements of Banco BPI, S.A. as at June 30, 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

September 27, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

José Manuel Henriques Bernardo, R.O.C.

(This is a translation, not to be signed)

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.)

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Banco BPI, S.A.

Condensed interim individual financial statements as at 30 June 2019

BANCO BPI, S.A.

CONDENSED INTERIM INDIVIDUAL BALANCE SHEETS AS OF 30 JUNE 2019 AND 31 DECEMBER 2018

(Amounts expressed in thousand euros)

	Notes	30-06-2019	31-12-2018
ASSETS			
Cash and cash balances at central banks and other demand deposits	**8**	**1 898 096**	**2 336 030**
Financial assets held for trading	**8**	**246 123**	**226 772**
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**8**	**406 013**	**437 666**
Equity instruments		138 041	154 527
Debt securities		267 972	283 139
Financial assets at fair value through other comprehensive income	**8**	**2 135 427**	**1 868 893**
Equity instruments		578 140	591 523
Debt securities		1 557 287	1 277 370
Financial assets at amortised cost	**8**	**29 810 506**	**29 705 103**
Debt securities		7 546 057	7 556 295
Loans and advances - Central Banks and other Credit Institutions		800 651	790 761
Loans and advances - Customers		21 463 798	21 358 047
Derivatives - Hedge accounting	**9**	**34 522**	**14 320**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**61 153**	**26 719**
Investments in joint ventures and associates	**10**	**302 490**	**302 379**
Tangible assets	**11**	**143 858**	**66 786**
Intangible assets	**12**	**51 512**	**55 037**
Tax assets	**20**	**330 303**	**350 249**
Other assets	**13**	**224 413**	**363 239**
Non-current assets and disposal groups classified as held for sale	**14**	**26 944**	**33 173**
Total Assets		**35 671 360**	**35 786 366**
LIABILITIES			
Financial liabilities held for trading	**15**	**164 294**	**141 335**
Financial liabilities at amortised cost	**15**	**31 836 612**	**31 901 779**
Deposits - Central Banks		1 350 100	1 352 843
Deposits - Credit Institutions		1 421 955	1 873 248
Deposits - Customers		23 294 559	23 144 139
Debt securities issued		1 361 622	872 864
Memorandum items: subordinated liabilities		304 501	304 514
Other financial liabilities		4 408 376	4 658 685
Derivatives - Hedge accounting	**9**	**76 363**	**56 010**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**25 324**	**3 594**
Provisions	**16**	**43 139**	**65 457**
Pending legal issues and tax litigation		22 450	42 245
Commitments and guarantees given		20 689	23 212
Tax liabilities	**20**	**57 857**	**56 376**
Other liabilities	**17**	**478 245**	**513 198**
Total Liabilities		**32 681 834**	**32 737 749**
SHAREHOLDERS' EQUITY			
Capital	**19**	**1 293 063**	**1 293 063**
Other equity	**19**		**322**
Accumulated other comprehensive income	**19**	**(280 240)**	**(229 568)**
Items that will not be reclassified to profit or loss		(286 548)	(231 495)
Tangible assets			
Actuarial gains/ (losses) on defined benefit pension plans		(326 489)	(283 499)
Fair value changes of equity instruments measured at fair value through other comprehensive income		39 941	52 004
Items that may be reclassified to profit or loss		6 308	1 927
Fair value changes of debt instruments measured at fair value through other comprehensive income		6 308	1 927
Retained earnings	**19**	**1 842 269**	**1 067 959**
Other reserves	**19**	**2 530**	**2 530**
Profit/(loss) attributable to owners of the parent		**131 904**	**914 311**
Total Equity		**2 989 526**	**3 048 617**
Total Equity and Total Liabilities		**35 671 360**	**35 786 366**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM INDIVIDUAL STATEMENTS OF PROFIT OR LOSS FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	Notes	30-06-2019	30-06-2018 Restated
Interest income	22	267 635	250 735
Interest expenses	22	(49 561)	(40 118)
NET INTEREST INCOME		**218 074**	**210 617**
Dividend income	23	60 988	70 973
Fee and commission income	24	135 233	150 926
Fee and commission expenses	24	(11 937)	(23 685)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	25	3 619	(89)
Gains/(losses) on financial assets and liabilities held for trading, net	25	(817)	26 189
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	25	(6 847)	59 989
Gains/(losses) from hedge accounting, net	25	971	425
Exchange differences (gain/loss), net	25	1 275	(16 575)
Other operating income	26	18 383	11 445
Other operating expenses	26	(35 950)	(31 744)
GROSS INCOME		**382 992**	**458 471**
Administrative expenses		**(194 476)**	**(203 497)**
Staff expenses	27	(119 705)	(121 494)
Other administrative expenses	28	(74 771)	(82 003)
Depreciation and amortisation		**(26 127)**	**(10 241)**
Provisions or reversal of provisions	16	**2 390**	**(2 450)**
Commitments and guarantees given		2 522	(2 272)
Other provisions		(132)	(178)
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	29	**8 335**	**13 590**
Financial assets at amortised cost		8 335	13 590
Impairment/(reversal) of impairment in subsidiaries, joint ventures and associates	10	106	
Impairment/(reversal) of impairment on non-financial assets		1 672	
Gains/(losses) on derecognition of non-financial assets, net	30	(1 476)	(1 806)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	31	(3)	948
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**173 413**	**255 015**
Tax expense or income related to profit or loss from continuing operations		(41 509)	(43 949)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**131 904**	**211 066**
Profit/(loss) after tax from discontinued operations	32		**77 658**
Profit/(loss) before tax from discontinued operations			77 658
PROFIT/(LOSS) FOR THE PERIOD		**131 904**	**288 724**
PROFIT OR LOSS (-) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**131 904**	**288 724**

Earnings per share (euros)			
Basic	5	0.091	0.198
Diluted	5	0.091	0.198
Earnings per share from continuing operations (euros)			
Basic	5	0.091	0.145
Diluted	5	0.091	0.145
Earnings per share from discontinued operations (euros)			
Basic	5		0.053
Diluted	5		0.053

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM INDIVIDUAL STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	30-06-2019	30-06-2018
PROFIT/(LOSS) FOR THE PERIOD	**131 904**	**288 724**
Other comprehensive income	**(50 672)**	**131 693**
Items that will not be reclassified to profit or loss	**(55 053)**	**131 058**
Actuarial gains/ (losses) on defined benefit pension plans	(58 421)	100 536
Fair value changes of equity instruments measured at fair value through other comprehensive income	(13 284)	444
Income tax relating to items that will not be reclassified	16 652	30 078
Items that may be reclassified to profit or loss	**4 381**	**635**
Debt securities classified as fair value financial assets through other comprehensive income	6 034	875
Valuation gains/(losses) taken to equity	8 576	1 291
Transferred to profit or loss	(2 542)	(416)
Income tax relating to items that may be reclassified to profit or loss	(1 653)	(240)
Total comprehensive income for the period	**81 232**	**420 417**
Attributable to owners of the parent	81 232	420 417

The accompanying notes are an integral part of these financial statements.

The Registered Accountant

The Executive Board

BANCO BPI, S.A.

CONDENSED INTERIM INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	Capital	Other equity (Note 19)	Accumulated other comprehensive income (Note 19)	Retained earnings (Note 19)	Other reserves (Note 19)	Treasury shares	Profit/(loss) for the period	Shareholders equity
Opening balances at 31 December 2017	**1 293 063**	**2 276**	**(257 695)**	**862 853**	**2 530**	**(377)**	**232 774**	**2 135 424**
Effect of changes in accounting policies (IFRS 9)			1 756	(27 556)				(25 800)
Opening balances at 1 January 2018	**1 293 063**	**2 276**	**(255 939)**	**835 297**	**2 530**	**(377)**	**232 774**	**2 109 624**
Transfer to reserves and retained earnings				232 774			(232 774)	
Variable Remuneration program ("RVA")		(719)						(719)
Comprehensive income in the first semester of 2018			131 693				288 724	420 417
Opening balances at 30 June 2018	**1 293 063**	**1 557**	**(124 246)**	**1 068 071**	**2 530**	**(377)**	**288 724**	**2 529 322**
Variable Remuneration program ("RVA")		(1 235)		(112)				(1 347)
Sale / purchase of preferred shares						377		377
Comprehensive income in the second semester of 2018			(105 322)				625 587	520 265
Opening balances at 31 December 2018	**1 293 063**	**322**	**(229 568)**	**1 067 959**	**2 530**		**914 311**	**3 048 617**
Transfer to reserves and retained earnings				914 311			(914 311)	
Dividends distributed				(140 000)				(140 000)
Variable Remuneration program ("RVA")		(322)						(322)
Comprehensive income in the first semester of 2019			(50 672)				131 904	81 232
Other changes in equity				(1)				(1)
Balances at 30 June 2019	**1 293 063**		**(280 240)**	**1 842 269**	**2 530**		**131 904**	**2 989 526**

The accompanying notes are an integral part of these financial statements.

The Registered Accountant **The Executive Board**

BANCO BPI, S.A.

CONDENSED INTERIM INDIVIDUAL STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED ON 30 JUNE 2019 AND 30 JUNE 2018

(Amounts expressed in thousand euros)

	30-06-2019	30-06-2018
Cash flows from/(used in) operating activities		
Interest, commissions and other income received	428 797	452 707
Interest, commissions and other expenses paid	(109 021)	(97 978)
Dividends received [1]	48 158	
Recovery of overdue loans and interest and gains/(losses) on the sale of real estate received in settlement of defaulting loans	6 373	7 326
Payments to staff and suppliers	(224 141)	(207 312)
Net cash flow from income and expenses	150 166	154 743
Decreases (increases) in:		
Financial assets held for trading, at fair value through profit or loss, at fair value through other comprehensive income and available-for-sale	(219 427)	5 992 064
Financial assets at amortised cost - Central Banks and other Credit Institutions	(97 327)	(464 947)
Financial assets at amortised cost - Customers	(177 100)	(6 824 902)
Other operating assets	200 683	(195 152)
Net cash flow from operating assets	(293 171)	(1 492 937)
Increases (decreases) in:		
Financial liabilities measured at amortised cost - Central Banks and other Credit Institutions	(450 735)	1 315 770
Financial liabilities measured at amortised cost - Customers and other	168 967	1 379 408
Financial liabilities held for trading	(20 125)	11 617
Other operating liabilities	(67 772)	(8 644)
Net cash flow from operating liabilities	(369 665)	2 698 151
Contributions to Pension Funds	(10 139)	(11 780)
Income tax paid	(25 064)	6 339
	(547 873)	**1 354 516**
Cash flows from/(used in) investing activities		
Sale of equity holding in BPI Vida		75 000
Sale of equity holding in BPI GIF		8 000
Purchase of other tangible assets and intangible assets	(10 129)	(8 998)
Sale of other tangible assets	883	2 308
Dividends received from joint ventures and associates	7 752	45 698
	(1 494)	**122 008**
Cash flows from /(used in) financing activities		
Liabilities relating to assets not derecognised in securitisation operations (Note 15)	(315 497)	(116 426)
Issuance of debt securities and subordinated debt (Note 15)	500 000	452
Redemption of debt securities (Note 15)	(7 980)	(210 581)
Purchase and sale of own debt securities and subordinated debt (Note 15)	(114)	(693)
Interest on debt instruments and subordinated debt	(11 977)	(8 425)
Dividends distributed	(140 000)	
	24 432	**(335 673)**
Net increase / (decrease) in cash and cash equivalents		
Exchange variation occurred in the period	(1 626)	334
Net increase / (decrease) in cash and cash equivalents	(523 309)	1 140 520
Cash and cash equivalents at beginning of the period	2 663 886	1 063 452
Cash and cash equivalents at the end of the period	**2 138 951**	**2 204 306**
Cash and deposits at Central Banks (Note 8)	1 775 493	2 081 669
Deposits at other credit institutions (Note 8)	123 176	120 748
Cheques for collection and other cash items (Note 8)	62 879	1 473
Very short term applications (Note 8)	177 403	416
Cash and cash equivalents	**2 138 951**	**2 204 306**
Cash and cash equivalents by currency		
EUR	1 865 444	2 163 439
USD	151 542	11 131
AKZ	67 086	
Other currencies	54 880	29 736
Cash and cash equivalents	**2 138 951**	**2 204 306**

[1] At 30 June 2019, includes 45 997 t.euros dividends received from Banco de Fomento Angola, deposited in AKZ in a currente account at BFA in Angola.

The accompanying notes are an integral part of these financial statements.

The Registered Accountant
Alberto Pitôrra

The Executive Board
Chairman Pablo Forero
Members Alexandre Lucena e Vale
António Farinha Morais
Francisco Barbeira
Ignacio Alvarez-Rendueles
João Pedro Oliveira e Costa
José Pena do Amaral
Pedro Barreto

Banco BPI, S.A.

Notes to the condensed interim individual financial statements at 30 June 2019

(Amounts in thousand euros - t.euros – save otherwise expressly indicated)

(These notes are a translation of notes originally issued in Portuguese – Note 37)

Notes to the condensed interim individual financial statements of Banco BPI at 30 June 2019.

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1. FINANCIAL GROUP

Banco BPI S.A., (Hereinafter referred to as "Banco BPI", "BPI " or "Bank"), with corporate tax identification no. 501 214 534 and registered under the same number in the Commercial registry office of Porto, with registered office at Rua Tenente Valadim, no. 284, in Porto, is an entity focusing its activity on commercial banking in Portugal, and providing financial services and products to Individuals and Corporate and institutional Customers. The Bank serves a Customer base of 1.91 million Customers through a multi-specialist, multi-channel and fully integrated distribution network.

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

In the context of its public tender offer for the acquisition of all outstanding shares of Banco BPI, on 8 February 2017 (date of the "Regulated Market Special Session" conducted to announce the result of the public tender offer), CaixaBank acquired shares representative of 39.0% of Banco BPI voting rights. Considering CaixaBank previously owned 45.5%, its overall share ownership reached 84.5% of Banco BPI's voting rights. From February 2017, Banco BPI is included in the CaixaBank Group consolidation perimeter, and its financial statements are consolidated in accordance with the full consolidation method. Following the acquisition by CaixaBank of an 8.4% stake held by Allianz in the share capital of the Bank, and other acquisitions on the regulated market, on 29 June 2018 Banco BPI's General Meeting approved the Bank's loss of status of public company under the terms and for the purposes of Article 27-1-b) of the Securities Code. A request for approval of the loss of status of public company was submitted to the Securities and Exchange Commission (CMVM), and was approved on 14 December 2018. On 18 December 2018 CaixaBank launched a Tender Offer Aimed at Full Control and Compulsory Acquisition of Banco BPI S.A. shares. As of 31 December 2018, CaixaBank holds 100% of the share capital of Banco BPI.

In April 2018, the holdings in BPI Gestão de Activos and BPI Global Investment Management Company (BPI GIF) were sold to the Caixabank Group. The results generated by these entities in 2018 are presented in a single line of the Income Statement under the heading "Profit/(loss) from discontinued operations".

The winding-up process of Banco BPI Cayman, Ltd and BPI Capital Africa (Proprietary) Limited was concluded in 2018 and these two companies were closed down. These companies were fully held by BPI Madeira.

In 31 December 2018, following the loss of Banco BPI's significant influence over Banco de Fomento Angola (BFA), the equity holding in BFA was reclassified in the consolidated balance sheet from Investments in joint ventures and associates to Financial assets at fair value through other comprehensive income - equity instruments, and revalued at fair value.

In January 2019, the sale of the legal positions related to share brokerage, research and corporate finance activities to Caixabank was realized by Banco Português de Investimento, SA at the book value of the net assets of those activities at the closing date of the transaction (3.9 million euros).

As of 30 June 2019, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders equity [1]	Assets	Profit / (loss) for the period	Direct holding	Effective holding	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	2 989 527	35 699 752	131 904			
Banco Português de Investimento, S.A.	Portugal	23 200	26 180	(197)	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.	Mozambique	253 054	2 374 218	29 230	35.67%	35.67%	Equity method
Asset Management							
BPI (Suisse), S.A.	Switzerland	10 431	12 142	663	100.00%	100.00%	Full consolidation
Venture / development capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	32 319	35 893	(439)	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	901	1 257	(33)		49.00%	Equity method
Insurance							
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	46 729	122 667	4 947	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	190 439	1 326 623	17 101	35.00%	35.00%	Equity method
Other							
BPI, Inc.	USA	748	749	(4)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	170 010	170 060	(11)	100.00%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	90 694	404 637	7 515	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 30 June 2019 (accounting balances before consolidation adjustments).
[1] Includes net profit (loss) for the period.

The financial information provided in the above table was drawn from the unaudited financial statements of the relevant companies as of 30 June 2019. However, the Executive Committee of the Board of Directors of Banco BPI believes that there will be no changes with a significant impact on the Bank's consolidated net profit.

The vehicles through which Banco BPI's debt securitisation operations are carried out are recorded in the individual financial statements according to BPI's continued involvement in these operations, determined on the basis of the percentage of the equity interest held in the respective vehicles. As of 30 June 2019, BPI held 100% of the equity pieces in those vehicles all issued through SAGRES - Sociedade de Titularização de Créditos, S.A., are as follows:

- Securitisation of residential mortgage loans - Douro Mortgages No. 2
- Securitisation of residential mortgage loans - Douro Mortgages No. 3
- Securitisation of loans to SMEs - Douro SME No. 2

On 21 June 2019 the notes under the Securitisation of residential mortgage loans - Douro Mortgages No. 1 were reimbursed in advance.

As of 31 December 2018, Banco BPI on a consolidated basis, was made up of the following companies:

	Head office	Shareholders equity[1]	Assets	Profit / (loss) for the period	Direct holding	Effective holding	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	3 048 617	35 786 366	914 311			
Banco Português de Investimento, S.A.	Portugal	24 391	29 688	2 083	100.00%	100.00%	Full consolidation
Banco Comercial e de Investimentos, S.A.	Mozambique	236 020	2 187 067	57 310	35.67%	35.67%	Equity method
Asset Management							
BPI (Suisse), S.A.	Switzerland	9 626	11 398	2 936	100.00%	100.00%	Full consolidation
Venture / development capital							
BPI Private Equity - Sociedade de Capital de Risco, S.A.	Portugal	30 988	34 731	1 066	100.00%	100.00%	Full consolidation
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	934	1 194	(61)		49.00%	Equity method
Insurance							
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	46 508	115 247	5 504	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	147 936	1 283 060	(2 669)	35.00%	35.00%	Equity method
Other							
BPI, Inc.	USA	743	744	(5)	100.00%	100.00%	Full consolidation
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	170 023	170 484	18 768	100.00%	100.00%	Full consolidation
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	102 391	349 749	15 343	21.01%	21.01%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2018 (accounting balances before consolidation adjustments).

[1] Includes net profit (loss) for the period.

2. BASES OF PRESENTATION AND MAIN ACCOUNTING POLICIES

A) Bases of presentation

The condensed interim individual financial statements were prepared based on the accounting records of Banco BPI, in conformity with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) as endorsed by the European Union and in force on 1 January 2018, in accordance with Regulation (EC) 1606/2002 of 19 July of the European Parliament and of the Council, transposed into Portuguese legislation through Bank of Portugal Notice no. 5/2015 of 30 December.

The individual financial statements have been prepared on a going concern basis, as provided for in IAS 1 – Presentation of financial statements.

The individual financial statements as of 31 December 2018 have been approved by the Board of Directors of Banco BPI at April 15 and by the general meeting of shareholders at 29 April 2019

In the preparation of the 2018 individual annual accounts, the consolidation principles, accounting policies and valuation criteria described in Note 2. Bases of Presentation and Main Accounting Policies, in the 2018 Annual Report, were applied with a view to obtaining a true picture of the financial situation of BPI as at 31 December 2018 as well as of its results, changes in shareholders' equity and cash flows at that date.

Banco BPI's condensed interim individual financial statements for 30 June 2019 were prepared based on the same principles and accounting policies described in Note 2 to the individual financial statements at 31 December 2018, applying in particular IAS 34 (Interim financial reporting), except those resulting from regulatory changes that came into effect on 01 January 2019, which are detailed in the section Adoption of standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as endorsed by the European Union.

The condensed interim individual financial statements as of 30 June 2019 have been approved by the Executive Committee of the Board of Directors of Banco BPI at 24 September 2019.

In the preparation of the consolidated financial statements, BPI follows the historical cost convention, modified when applicable for the measurement at fair value of:

- Financial assets and liabilities held for trading
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

- Derivatives

The figures are presented in thousands of euros (t.euros) unless the use of another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them.

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

At 1 January 2019 the following accounting standards came into force (Note 2. B - Main accounting policies):

Standards and interpretations	Name
IFRS 16	Leases
Amendment to IFRS 9	Accounting treatment options for financial assets with negative compensation features
Amendment to IAS 19	Requirement to use updated assumptions for the calculation of remaining responsibilities
Amendment to IAS 28	Long-term investments in associates and joint ventures
Annual improvements to IFRS 2015-2017	Clarifications to: IAS 23, IAS 12, IFRS 3 and IFRS 11
Interpretation to IFRIC 23	Uncertainty over income tax treatments

On 1 January 2019, Banco BPI adopted the following accounting standards:

- **IFRS 16** (new), 'Leases'. This new standard replaces IAS 17 – 'Leases' with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". The application of IFRS 16 may be retrospective or retrospective modified. The impacts from adoption of this standard are described in this note – Comparability of the Information.

- **IFRS 9** (amendment), 'Prepayment features with negative compensation'. The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortised cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IAS 19** (amendment), Plan amendment, Curtailment or Settlement'. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognise in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognised, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IAS 28** (amendment), 'Long-term interests in Associates and Joint Ventures'. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9 – 'Financial instruments'. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **Improvements to standards 2015 – 2017.** The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

- **IFRIC 23** (new), 'Uncertainty over income tax treatment'. This is an interpretation of IAS 12 - 'Income tax', and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 – 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. There has been no material impact on the Bank's financial statements as a result of the adoption of this standard.

The standards (new and amendments) that will become effective, on or after 1 January 2020, not yet endorsed by the EU, are the following:

Standards and interpretations issued by the IASB

Standards and interpretations	Name	Mandatory application starting on:
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Conceptual structure	Amendments to references to other IFRS	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

- **IFRS 3** (amendment), 'Definition of a business (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed. This amendment will apply to transactions ocurring after its entry into force.

- **IAS 1 and IAS 8** (amendment), 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to obtain a significant part of the information that they need. The future adoption of this amendment is not expected to have significant impact on the Bank's financial statements.

- **Conceptual framework,** 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, in addition to some of the characteristics of financial information. These amendments are retrospective, except if impractical. The future adoption of this amendments is not expected to have significant impacts on the Bank's financial statements.

- **IFRS 17** (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. Banco BPI does not have subsidiaries operating in the insurance business and therefore no effects on the Bank's financial statements are expected as a result of adoption of this standard.

Responsibility for the information and for the main estimates made

The preparation of the individual financial statements required to make certain judgements, estimates and assumptions in order to quantify some of the assets, liabilities, revenues, expenses and obligations recognised in them. These judgements, estimates and assumptions relate primarily to:

- Impairment losses on financial assets and the associated guarantees based on their accounting classification imply the adoption of assumptions relating to: i) the consideration of "significant increase in credit risk" (SICR), ii) definition of default; and iii) the inclusion of forward-looking information (Note 8).
- Fair value of some financial assets and liabilities (Note 35). The fair value of unlisted financial assets and derivatives was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 18). Retirement and survivor pension liabilities have been estimated based on actuarial tables, assumptions of the increase in pensions and salaries and discount rates. These assumptions are based on Banco BPI's expectations for the period during which the liabilities will be settled.
- Current and deferred taxes have been recognised based on the tax legislation currently applicable to Banco BPI or on legislation already published for future application (Note 20). Different interpretations of tax legislation can influence the amount of income taxes. Deferred tax assets are recognised based on the assumption of future earnings and taxable income.
- The measurement of investments in joint ventures and associates and determination of the share of profit/(loss) of these investments (Note 10).
- The measurement of provisions and contingent liabilities and respective probability of occurring (Note 16).
- The useful life of tangible assets, including rights-of-use assets and intangible assets (Notes 11 and 12).

Estimates used are based on the best information available at the time of preparation of the annual consolidated financial statements. Subsequent events may require changing the estimates in future periods. In accordance with the applicable legislation and BPI's governance systems, the effects of these changes would be accounted for on a prospective basis in the corresponding income statement, in accordance with IAS 8 - Accounting Policies, change in estimates and errors.

Comparability of the information

The figures for 31 December 2018, as well as for the six-month period ended on 30 June 2018, included in the condensed interim individual financial statements, are presented for comparative purposes only.

IFRS 16 – "Leases"

As stated in this note in the "A) Basis of presentation" section, Banco BPI has applied IFRS 16 – "Leases" from 1 January 2019. In this sense, it has decided not to reassess whether an agreement is a lease or contains a lease component in accordance with the criteria of the standard, applying it solely for agreements that had been identified as leases in accordance with the previous standard.

For leases in which the Bank intervenes as lessee, previously classified as operating leases, BPI applied the new standard retroactively, following the modified retrospective approach, which permits to estimate the value of the right of use by reference to the transaction's financial liability, therefore not requiring any adjustment to reserves as at 1 January 2019. In addition, it was decided to exclude from the scope, in line with the simplifications considered in the new regulatory framework, lease agreements whose term expires within the twelve months following the initial application date.

The main type of agreements identified for which a right-of-use asset and a lease liability had to be estimated at 1 January 2019 were real estate leases in connection with Banco BPI's operating activity (office buildings used by the commercial network and central services).

The balance sheet items at 31 December 2018 relative to lease agreements were not restated and therefore their detail is not directly comparable with the information presented for 30 June 2019.

At 1 January 2019 the coming into force of this standard implied the recognition of a right of use in the amount of 89 million euros and a transfer of costs for rents paid, in the amount of 12 million euros, recognised under other administrative expenses up to 31 December 2018, to costs with depreciation and amortisation of tangible assets, in the period ended on 30 June 2019.

The impact of the adoption of IFRS16 on 1 January 2019, by balance sheet caption, was as follows:

	31-12-2018	Adoption IFRS 16	01-01-2019
Tangible assets	66 786	88 705	155 491
Total assets	**35 786 366**	**88 705**	**35 875 071**
Other financial liabilities	4 658 685	88 705	4 747 390
Total liabilities	**32 737 749**	**88 705**	**32 826 454**

Restatement of the income statement as of 30-06-2018

In relation to the income statement as of 30 June 2018, the following reclassifications were made between headings:

	30-06-2018 Restated	30-06-2018	Difference
Interest income	250 735	250 735	
Interest expenses	(40 118)	(40 118)	
NET INTEREST INCOME	**210 617**	**210 617**	
Dividend income	70 973	70 973	
Fee and commission income	150 926	150 926	
Fee and commission expenses	(23 685)	(23 685)	
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(89)	(89)	
Gains/(losses) on financial assets and liabilities held for trading, net	26 189	26 189	
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	59 989	59 989	
Gains/(losses) from hedge accounting, net	425	425	
Exchange differences (gain/loss), net	(16 575)	(16 575)	
Other operating income	11 445	5 089	6 356
Other operating expenses	(31 744)	(25 590)	(6 154)
GROSS INCOME	**458 471**	**458 269**	**202**
Administrative expenses	**(203 497)**	**(203 497)**	
Staff expenses	(121 494)	(121 494)	
Other administrative expenses	(82 003)	(82 003)	
Depreciation and amortisation	**(10 241)**	**(10 241)**	
Provisions or reversal of provisions	**(2 450)**	**(2 450)**	
Commitments and guarantees given	(2 272)	(2 272)	
Other provisions	(178)	(178)	
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	**13 590**	**13 590**	
Financial assets at amortised cost	13 590	13 590	
Impairment/(reversal) of impairment on non-financial assets		(1 015)	1 015
Gains/(losses) on derecognition of non-financial assets, net	(1 806)	359	(2 165)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	948		948
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**255 015**	**255 015**	
Tax expense or income related to profit or loss from continuing operations	(43 949)	(43 949)	
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**211 066**	**211 066**	
Profit/(loss) after tax from discontinued operations	**77 658**	**77 658**	
Profit/(loss) before tax from discontinued operations	77 658	77 658	
Tax expense or income related to profit or loss from discontinued operations			
PROFIT/(LOSS) FOR THE PERIOD	**288 724**	**288 724**	
PROFIT OR LOSS (-) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**288 724**	**288 724**	

- Gains on financial leases, in the amount of 6 356 t.euros, were reclassified from the caption “Gains or (-) losses on derecognition of non-financial assets, net” to the caption “Other operating income”.
- Losses on financial leases, in the amount of (6 104) t.euros, and other losses, (50) t.euros, were reclassified from the caption “Gains or (-) losses on derecognition of non-financial assets, net” to the caption “Other operating expenses”
- Allowances net of impairment for assets received in settlement of defaulting loans and other tangible assets (1 015) t.euros, were reclassified from the caption “Impairment/(reversal) of impairment on non-financial assets” to “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.
- Gains and losses on assets received in settlement of defaulting loans and other tangible assets, 1 963 t.euros, were reclassified from the caption “Gains/(losses) on derecognition of non-financial assets, net” to the caption “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.

B) Main accounting policies

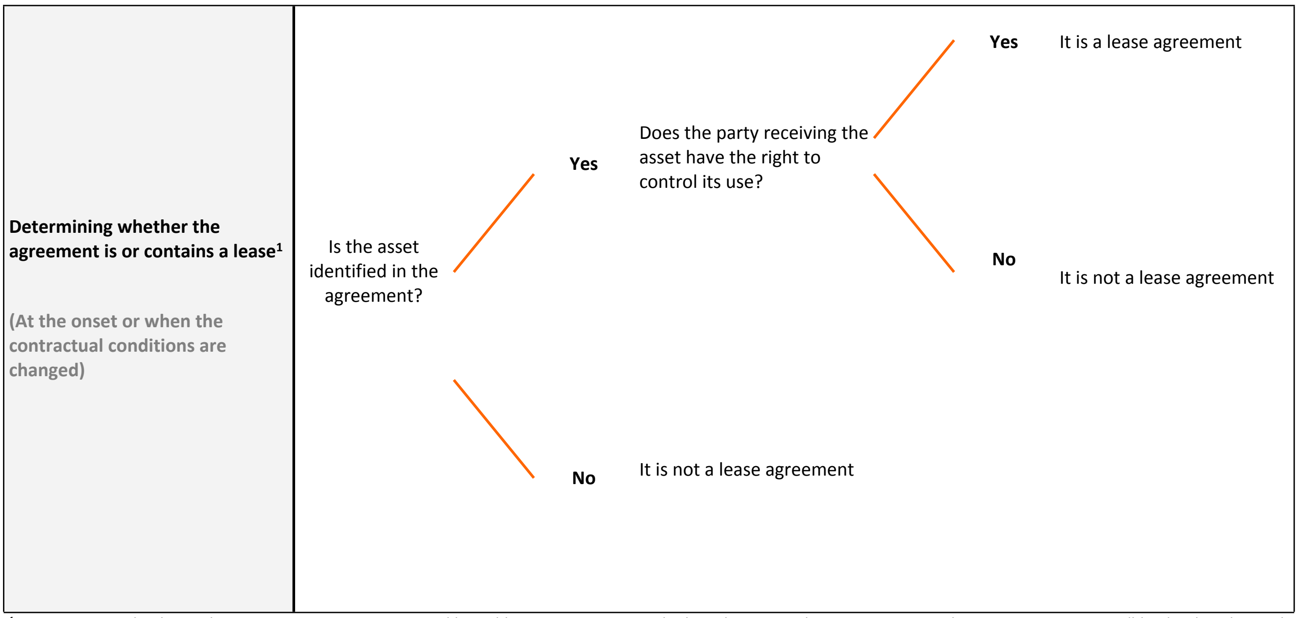
Except as indicated below, Banco BPI's condensed interim individual financial statements as of 30 June 2019 were prepared using the same principles, accounting policies and criteria used for the 2018 individual annual accounts.

All accounting principles and measurement bases that could have a significant effect were applied in the preparation of the condensed interim individual financial statements.

For all the areas not stated in these condensed interim individual financial statements, the definitions, criteria and policies described in Note 2 of the 2018 individual annual report remain applicable.

2.1. Leases

During the first quarter of 2019, the Bank adopted IFRS 16 "Leases". As a result of this, an assessment has been carried out on the accounting policies in the areas indicated in this note, applicable from 1 January 2019. The main changes in the Bank's accounting policies, deriving from the adoption of IFRS16, are set out below:



[1] For agreements that have a leasing component, one or more additional leasing components and others that are not leasing components, the agreement payment will be distributed to each leasing component on the basis of the relative price, regardless of the leasing component, based on aggregate price, and on the basis of the independent aggregate price of the non-leasing components.

Lessor

	Finance leases	Operating leases
	Operations where, substantially, all the risks and rewards inherent to the leased asset are **transferred to the lessee.**	Operations where, substantially, all the risks and rewards inherent to the leased asset, as well as its ownership, **are maintained by the lessor.**
Recognition as lessor (According to the economic purpose of the operation, regardless of its legal form)	- Are recognised as a loan granted under the balance sheet caption "Financial assets at amortised cost" as the sum of the present value of all payments receivable by the lessee during the period of the leasing plus any non-guaranteed residual amount pertaining to the lessor. - Include fixed payments (minus payments made to the lessor) as well as variable payments determined in accordance with an index or rate, and also the exercise price of the purchase option, if there is reasonable certainty that it will be exercised by the lessee, and penalties for termination by the lessee if the term of the lease reflects the exercise of the termination option.	The acquisition cost of the leased assets is recognised in the **"Tangible assets"** caption of the **balance sheet.**
	The financial income obtained as a lessor is recognised in the income statement caption **"Interest income".**	- They are **depreciated** using the same criteria as for the remaining tangible assets for own use. - Income is recognised in the income statement caption **"Other operating income".**

Lessee

<table>
<tr><td rowspan="6">Recognition as lessee</td><td>Term of the agreement</td><td colspan="4">Fixed-term agreements, with or without option of early termination by the Bank (with only a non-significant compensation): As a general rule, the lease term matches the initial agreement duration.
For automatically renewable (annually or half-yearly) property leasing agreements with Banco BPI's Pension Fund, a term of 5 years[1] was assumed, starting on 1 January 2019, taking into account that the pension fund in an entity related with the Bank, the agreements' automatic and constant renewal, and the fact that there is no economic incentive for the pension fund to exercise the termination options provided for in said agreements.

Open-end agreements: For these agreements, and based on the terms of Law 13/2019, the lessor may terminate the agreement by notifying the bank (the lessee) not less than 5 years in advance of the date on which he intends to terminate the agreement. Therefore a term of 5 years was considered for these agreements, starting on 1 January 2019.</td></tr>
<tr><td rowspan="4">Accounting record</td><td></td><td></td><td>At the start date of the agreement</td><td>Subsequently</td></tr>
<tr><td rowspan="2">Agreements where the underlying asset is not of low value (set at 6 000 euros)</td><td>Lease liability (“Other financial liabilities”)</td><td>Valued based on the present value of future lease payments not yet made on this date, using as discount rate the interest rate[2] that the lessee would have to pay to borrow, with a similar maturity and guarantee, the funds necessary to obtain an asset of similar value to that of the right-of-use asset in a similar economic context.</td><td>Valued at amortised cost using the effective interest rate method and revalued (with the corresponding adjustment to the related right-of-use asset) when there is a change in future payments due to renegotiation, index or rate changes or in the event of a re-evaluation of the agreement's options.</td></tr>
<tr><td>Right-of-use asset (“Tangible assets”)</td><td>Valued at cost and includes the initial valuation of the lease liability, payments made on or before the commencement date, initial direct costs, costs of dismantling or rehabilitation when there is an obligation to bear them.</td><td>Amortised on a straight-line basis and subject to impairment losses, in accordance with the treatment established for the remaining tangible and intangible assets.</td></tr>
<tr><td colspan="2">Remaining agreements</td><td colspan="2">Accounted for as operating leases</td></tr>
</table>

[1] The 5-year term is in line with Banco BPI's strategic guidelines on the renewal of current lease agreements, taking into account the Bank and industry context, from the standpoint of business risk management and management of the fixed assets associated to the agreements.

[2] The Bank calculated these interest rates taking as a reference the cost of debt instruments, adding to the base market curve (swaps vs 6M Euribor) the covered and senior debt spreads for BPI.

The implementation of IFRS16 involved making estimates on the duration of agreements and decisions on the disaggregation of components related to services that were included in the formalised lease agreements.

3. RISK MANAGEMENT

3.1. Overview and risk factors

The following risk factors had a significant influence on BPI's management in the 1st half of 2019, due to their impact during the period and their long-term implications for the Bank:

Macroeconomic environment

- The global economy maintains a considerable level of uncertainty, the main source of which has been the persistence of trade strains between the U.S. and China and their potential impact on the European Union economy. The meeting at the end of June between Trump and Xi could have been a starting point for the resumption of negotiations, however geopolitical uncertainty is likely to linger over the medium term.

- In the Eurozone the activity indicators continue to point to moderate economic growth, even if the first quarter GDP growth was higher than expected. On the other hand, the European scenario remains marked by the difficulties in reaching an exit agreement for the United Kingdom (the Brexit), and the risk of a disorderly Brexit has increased.

- The Portuguese economy stands out from the European feeble economic growth context, posting lower growth rates, but still close to 2%. Nevertheless, high geopolitical uncertainty and the moderate growth of our European partners could constrain the pace of Portuguese exports, and a slower than initially estimated pace of growth should be expected for the second half of the year. This context will likely deepen the goods account deficit, with the vigour of tourism being insufficient to prevent a widening of the external deficit in 2019. Robust growth and funding costs at record lows, together with a budget consolidation policy, should support the path of sustained reduction in the public debt ratio.

Regulatory Framework

The main regulatory developments and public consultations in the area of risk are outlined below:

- Approval and publication in the Official Journal of the European Union (OJ) of the "Proposal of CRDV Package": on 16 April the European Union approved the review, started in November 2016 by the European Commission, of the so-called "banking package", which covers the CRD V, CRR II, BRRD II and SRMR II texts[1]. The review basically transposes the standards agreed by the Basel Committee on Banking Supervision (prior to the 2017 agreement on the completion of Basel III, the adoption of which will be addressed from the second half of 2019). The aforementioned legislative package came into force on 27 June 2019, with December 2020 as the deadline for the adoption of the directives, whereas the majority of the changes included in the CRR II regulation are applicable from June 2021.

- Brexit, Contingency Action Plan: at the beginning of 2019, a set of legislative measures were adopted at national level to prepare for a no-deal Brexit scenario, namely: Law no 27-A/2019 of 28 March, which approves contingency measures to be applied in the event of a no-deal exit of the United Kingdom from the European Union, and Council of Ministers Resolution no. 48/2019, which identifies preparedness and contingency measures which the Portuguese Government proposes to adopt to minimize the effects of the United Kingdom's departure from the European Union on economic agents, companies, investment and tourism. In addition, the European Banking Association (EBA), the Prudential Regulation Authority (PRA), and the Financial Conduct Authority (FCA) have agreed on a template for a Memorandum of Understanding (MoU) establishing the bases for cooperation and information exchange between the EU and UK authorities.

- Exposures associated with high risks: the EBA published its final guidelines, applicable from 1 July 2019, regarding the types of exposures to be associated with particularly high risk under Article 128 (3) of Regulation (EU) 575/2013 (CRR), which should be assigned a risk weight of 150% under the standardised approach.

- On 25 February the EBA published the new Guidelines on Outsourcing, which update the previous guidelines on Outsourcing, published in 2006 (CEBS), and incorporate the recommendations of December 2017 on outsourcing to cloud service providers. These guidelines apply as of 30 September 2019, and affect all outsourcing contracts.

- On 25 May the EBA completed a consultation on its Guidelines on Credit Risk Mitigation techniques for banks that use internal models with own estimates of LGD. The guidelines aim to eliminate existing differences in risk mitigation techniques, deriving from supervisory practices or from choices specific to the entity.

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[1] The acronyms correspond to Capital Requirements Regulation and Directive (CRR/CRD), Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR), respectively.

- On 6 March the EBA published the final version of its Guidelines for the estimation of LGD appropriate for an economic downturn (*Downturn LGD estimation*), supplementing the EBA Guidelines on PD and LGD estimation, which will apply from 1 January 2021.

- On 13 March the consultation period for the EBA Guidelines on ICT and security risk management ended. These guidelines establish the requirements applicable to credit institutions, investment firms and payment services providers in relation to the mitigation and management of their ICT and security risks.

- Publication in the Official Journal of the European Union of Regulation 2019/630, amending Regulation (EU) 575/2013 (CRR) as regards minimum loss coverage for non-performing exposures (NPLs), or prudential backstop. This regulation establishes the deductions to own funds which must be made if the minimum coverage levels for new loans that become NPLs are not reached. The amended regulation came into force on 26 April 2019.

- On 18 June, the extension of the mandate of the Technical Expert Group on Sustainable Finance (TEG), which aims to assist the European Commission in the implementation of the Action Plan for sustainable finance, was announced. Simultaneously, within the same framework, the European Commission has published new Guidelines on climate-related disclosures, as part of its Action Plan for Sustainable Finance.

- On 19 June the EBA launched the consultation process on its draft Guidelines on Loan Origination and Monitoring with the aim of ensuring that the institutions have robust and prudent standards for credit risk taking, management and monitoring. The proposed guidelines ensure alignment with the regulations in force on consumer protection and the prevention of money laundering.

- Enactment on 6 August 2019 of the Framework Law on Housing, which establishes, *inter alia*, that "residential mortgage borrowers in a very difficult economic situation may benefit from a legal protection regime that, among others, provides for the possibility of debt restructuring, transfer in lieu of payment, or alternative measures to foreclosure". In this context "the transfer in lieu of payment of the debt, extinguishing the debtor's obligations regardless of the value attributed to the property for this purpose" can only be contemplated if it has been contractually established, the credit institution being responsible for providing this information prior to entering into the contract.

- Publication in the *Diário da República* of Law 23/2019, of 13 March 2019, which established full deposit protection against senior unsecured debt instruments in the event of a bank resolution.

- Finally, on 12 February 12, publication in *Diário da República* of Law No. 15/2019, which introduces changes to the General Regime of Credit Institutions and Financial Companies, clarifying the powers of the Assembly of the Republic's Parliamentary Committees of Inquiry and establishing the duties of transparency and scrutiny to which capitalisation, resolution, nationalisation or liquidation operations of credit institutions resorting, directly or indirectly, to public funds, will be subject. Article 6 of this Law imposed on Banco de Portugal the obligation to prepare and deliver to the Assembly of the Republic an Extraordinary Report containing a set of "Relevant Information" concerning the "Covered Credit Institutions" in which, in the twelve years prior to the publication of that Law, any of the situations provided for therein have occurred.

3.2. Credit risk

3.2.1. Overview

Credit risk is one of the most significant risks faced in Banco BPI 's operations. Further information about credit risk, namely regarding the management process for the various credit segments, can be found in the Risk Management section of the 2018 Annual Report.

Banco BPI receives, among others, the following collateral within the scope of its loan granting business:

- Mortgages on own housing;
- Mortgages on third-party property;
- Deposit of assets;
- Pledge of securities;
- Guarantees provided by other credit institutions.

At 30 June 2019 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Maximum exposure to credit risk	Impairment	Credit conversion factors (CCF)[1]
Cash and cash equivalents in other credit institutions[2]	122 920		
Financial assets held for trading			
Equity instruments	81 581		
Debt securities	12 492		
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			
Equity instruments	138 041		
Debt securities	267 972		
Financial assets at fair value through other comprehensive income			
Equity instruments	578 140		
Debt securities	1 557 287		
Financial assets at amortised cost			
Debt securities	7 550 518	(4 461)	
Loans and advances - Central Banks and other Credit Institutions	800 651		
Loans and advances - Customers	21 971 038	(507 240)	
Trading derivatives and hedge accounting	195 450		
Total active exposure	33 276 090	(511 701)	
Total guarantees given and commitments	4 316 433	(20 690)	(3 349 233)
Total	37 592 523	(532 391)	(3 349 233)

[1] CCF – Credit Conversion Factor for guarantees given and credit commitments.

[2] Does not include cash and cash equivalents in central banks.

At 31 December 2018 the maximum exposures to credit risk on the balance sheet, including counterparty risk, was as follows:

	Maximum exposure to credit risk	Impairment	Credit conversion factors (CCF)[1]
Cash and cash equivalents in other credit institutions[2]	107107		
Financial assets held for trading			
Equity instruments	81 171		
Debt securities	13 893		
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			
Equity instruments	154 527		
Debt securities	283 139		
Financial assets at fair value through other comprehensive income			
Equity instruments	591 523		
Debt securities	1 277 370		
Financial assets at amortised cost			
Debt securities	7 560 823	(4 528)	
Loans and advances - Central Banks and other Credit Institutions	791 030	(269)	
Loans and advances - Customers	21 891 166	(533 119)	
Trading derivatives and hedge accounting	191 673		
Total active exposure	32 943 422	(537 916)	
Total guarantees given and commitments	4 297 226	(23 212)	(3 279 523)
Total	37 240 648	(561 128)	(3 279 523)

[1] CCF – Credit Conversion Factor for guarantees given and credit commitments.

[2] Does not include cash and cash equivalents in central banks.

The maximum exposure to credit risk is the gross carrying amount, except in the case of derivatives, where it is the exposure value according to the mark-to-market method, which is calculated as the sum of current and potential exposures:

- Current exposure: the highest value between zero and the market value of an operation or of a portfolio of operations with a counterparty which can be offset in the event of default by the counterparty, assuming that nothing from the value of the operations will be recovered in the event of insolvency or liquidation of the counterparty, except for the collateral received.
- Potential risk: change in the credit exposure as a result of future changes in the valuation of an operation or in the valuation of operations that can be offset with a counterparty during the residual term to maturity.

Concerning BPI's commercial activity, the Bank gears its lending activity towards meeting the financing needs of families (consumer and residential mortgage loans) and businesses, seeking to maintain a medium-low risk profile, as established in the RAF and the 2019-2021 Strategic Plan.

BPI shares with the CaixaBank Group the principles and policies that support credit risk management, which may be summarised as follows:

- An adequate relationship between income and the commitments assumed by the consumers.
- Documentary proof of the information provided by the borrower concerning its solvency.
- Adequate pre-contractual information about the personal circumstances and characteristics of each Customer and operation.
- Adequate independent assessment of real estate collateral.

Risk mitigation

Lending is always based on the assessment of the Customer's capacity to generate sufficient funds for the timely service of the debt, and on a risk-adjusted pricing policy. The requirement of personal or real guarantees, as a risk mitigator, is always considered at the time of granting a loan.

In the decision to require guarantees, several factors are weighted, namely the rating assigned to the Customer, and the nature and term of the operations. The term in particular is one of the more sensitive factors due to the uncertainty it entails, which is why medium and long-term transactions usually have associated real guarantees.

The rules on the acceptance of guarantees, control of their formalisation, and monitoring of their value during the transactions lifetime, through regular evaluations and their release are set out in specific internal regulations.

The guarantees foreseen in the internal regulations are those typified in the law, the most usual being personal guarantees (of individuals or companies) by endorsement or security, and in the case of real guarantees, the mortgage, the pledge of assets and the financial pledge. Financial instruments such as derivatives or repos are covered by standard agreements that establish the daily exchange of collaterals, guaranteeing coverage of the counterparty risk.

All guarantees are recorded in a dedicated software application. The funds are only made available to the Customer after or upon verification of the guarantees provided.

The classification by stage of loans to Customers and associated guarantees is as follows:

	30-06-2019		
	Gross amount	**Allowance for Impairment loss**	**Guarantees [1]**
Stage 1:	**19 534 372**	**(26 597)**	**10 556 340**
No associated collateral	6 413 045	(11 766)	0
With real estate collateral	11 238 085	(8 169)	10 149 111
With other collateral	1 883 242	(6 662)	407 229
Stage 2:	**1 384 420**	**(50 230)**	**739 154**
No associated collateral	315 169	(13 029)	0
With real estate collateral	831 527	(27 937)	712 790
With other collateral	237 724	(9 264)	26 364
Stage 3:	**966 863**	**(428 608)**	**320 339**
No associated collateral	203 587	(112 810)	0
With real estate collateral	631 611	(257 139)	315 682
With other collateral	131 665	(58 659)	4 657
	21 885 655	**(505 435)**	**11 615 833**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan, except for stage 3 operations, where fair value is calculated.

	31-12-2018		
	Gross amount	**Allowance for Impairment loss**	**Guarantees [1]**
Stage 1:	**19 248 554**	**(25 133)**	**10 447 424**
No associated collateral	6 713 089	(13 227)	0
With real estate collateral	11 025 423	(6 934)	10 081 688
With other collateral	1 510 042	(4 972)	365 736
Stage 2:	**1 472 225**	**(52 875)**	**787 051**
No associated collateral	355 715	(14 362)	0
With real estate collateral	833 868	(28 610)	726 602
With other collateral	282 642	(9 903)	60 449
Stage 3:	**1 017 326**	**(453 659)**	**352 535**
No associated collateral	205 964	(123 838)	0
With real estate collateral	678 130	(270 645)	348 951
With other collateral	133 232	(59 176)	3 584
	21 738 105	**(531 667)**	**11 587 010**

[1] The value of the guarantee is the lower of the value of the guarantee received and the value of the loan, except for stage 3 operations, where fair value is calculated.

Restructuring policies

A description of the restructuring policies is given in Note 2.8. Refinancing and restructuring operations in the 2018 annual report.

Restructured loans:

The breakdown of refinancing by industry sector is as follows:

30-06-2019

	Total						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Public administrations	2	376	1	6 892		6 892	
Other financial corporations and individual entrepreneurs (financial business)	9	188					(66)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 714	118 185	410	342 649	144 235	77 543	(180 284)
Individuals	4 298	32 973	6 423	221 716	216 619	573	(75 439)
Total	**6 023**	**151 722**	**6 834**	**571 257**	**360 854**	**85 008**	**(255 789)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
					Maximum amount of the collateral that can be considered		
	Number of transactions	Exposure	Number of transactions	Exposure	Real estate mortgage	Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	4	151					(64)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 144	67 969	284	232 426	119 042	62 105	(175 343)
Individuals	2 344	20 908	5 124	172 447	167 919	282	(73 447)
Total	**3 492**	**89 028**	**5 408**	**404 873**	**286 961**	**62 387**	**(248 854)**

Note: Includes securitised loans, customer loans, guarantees, and stage 3 loans

31-12-2018

	Total						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Other collateral	
Public administrations	24	6 340	4	11 819		11 818	
Other financial corporations and individual entrepreneurs (financial business)	7	181	1	19	19		(70)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 969	164 813	427	370 640	152 738	75 958	(199 514)
Individuals	4 638	33 505	6 767	234 214	228 596	583	(76 543)
Total	**6 638**	**204 839**	**7 199**	**616 692**	**381 353**	**88 359**	**(276 127)**

Note: Includes securitised loans, Customer loans and guarantees

	Of which: Stage 3						
	Without collateral		With collateral				Impairment
	Number of transactions	Exposure	Number of transactions	Exposure	Maximum amount of the collateral that can be considered: Real estate mortgage	Other collateral	
Other financial corporations and individual entrepreneurs (financial business)	4	106	1	19	19		(66)
Non-financial corporations and individual entrepreneurs (non-financial business)	1 389	86 480	310	249 915	127 707	61 883	(194 038)
Individuals	2 448	21 423	5 398	182 642	177 721	230	(74 320)
Total	**3 841**	**108 009**	**5 709**	**432 576**	**305 447**	**62 113**	**(268 424)**

Note: Includes securitised loans, customer loans, guarantees, and stage 3 loans

The detail of guarantees received to secure restructured loans[1] at 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Value of collateral	**826 332**	**890 010**
Of which: Stage 3 guarantee	595 903	634 501
Value of other guarantees	**336 756**	**340 185**
Of which: Stage 3 guarantee	310 754	310 229
	1 163 088	**1 230 195**

[1] The value of the guarantee is the maximum amount of the guarantee received, except for stage 3 operations, where it is considered at fair value.

The movement in restructured loans is as follows:

	30-06-2019	30-06-2018
Opening balance	545 404	987 183
Restructurings in the period	12 031	132 294
Debt amortisation	(55 459)	(153 752)
Property recovered or foreclosed	(638)	(669)
Other changes	(34 148)	(267 574)
Of which:		
Exit from restructuring	(30 421)	(192 517)
Loan sales	(1 926)	(40 800)
Balance at end of period	**467 190**	**697 482**

3.2.2. Concentration Risk

In Banco BPI's Risk Catalogue, concentration risk is conceptually included within credit risk and is calculated according to CaixaBank Group's best practices.

Banco BPI's Risk Appetite Framework (RAF) uses metrics to systematically identify overall exposure to a particular Customer or geographic location, as well as appetite limits to concentration risk.

Concentration in customers or in "large exposures"

As part of the risk-taking process, the Bank monitors compliance with the regulatory limits (25% of own funds) as well as the limits to concentration risk appetite (according to the objectives defined in the RAF). At the close of the first semester of 2019, there was no breach of the defined limits.

Concentration by geographic location

The breakdown of risk of financial assets and guarantees and sureties provided, by geographical location, is as follows:

30-06-2019

	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	3 081 648	1 932 755	447 368	701 525
Public sector	5 033 068	2 974 656	1 843 292	215 120
Central government	3 842 130	1 783 718	1 843 292	215 120
Other public administrations	1 190 938	1 190 938		
Other financial corporations and individual entrepreneurs (financial business)	4 919 439	4 566 382	284 784	68 273
Non-financial corporations and individual entrepreneurs (non-financial business)	10 437 368	9 931 369	451 820	54 179
Real estate construction and development	531 740	527 196	3 868	676
Civil construction	249 609	238 548	11 061	
Other	9 656 019	9 165 625	436 891	53 503
Large companies	5 761 705	5 316 663	411 232	33 810
Small and medium-sized companies	3 894 314	3 848 962	25 659	19 693
Individuals	12 378 881	12 309 254	17 006	52 621
Homes	10 952 103	10 940 478	2 304	9 321
Consumer spending	1 038 603	992 985	12 378	33 240
Other	388 175	375 791	2 324	10 060
Total	**35 850 404**	**31 714 416**	**3 044 270**	**1 091 718**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

31-12-2018

	Total	Portugal	Other EU countries	Other world countries
Central Banks and credit institutions	3 470 420	2 346 777	458 660	664 983
Public sector	4 661 726	2 729 823	1 710 069	221 834
Central government	3 583 219	1 651 316	1 710 069	221 834
Other public administrations	1 078 507	1 078 507		
Other financial corporations and individual entrepreneurs (financial business)	5 228 922	4 787 889	378 139	62 894
Non-financial corporations and individual entrepreneurs (non-financial business)	10 165 312	9 616 588	511 842	36 882
Real estate construction and development	511 879	506 757	4 248	874
Civil construction	259 907	249 962	9 945	
Other	9 393 526	8 859 869	497 649	36 008
Large companies	5 522 189	5 043 050	454 824	24 315
Small and medium-sized companies	3 871 337	3 816 819	42 825	11 693
Individuals	12 353 408	12 280 822	17 067	55 519
Homes	11 001 828	10 987 944	2 804	11 080
Consumer spending	958 897	913 961	11 703	33 233
Other	392 683	378 917	2 560	11 206
Total	**35 879 788**	**31 761 899**	**3 075 777**	**1 042 112**

Note: Includes deposits at central banks and credit institutions, financial assets not designated for trading compulsorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, investments in joint ventures and associates, and guarantees and sureties. Amounts net of impairments.

Concentration by industry sector

Risk concentration by economic sector is subject to BPI's RAF limits (level 1), differentiating between private sector economic activities and public sector financing.

At 30 June 2019 and 31 December 2018, the breakdown of credit by industry sector, type of collateral and loan to value (LTV) was as follows:

30-06-2019

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	770 342							
Public sector	1 245 997	3 707	300 756	60 385	73 328	92 345	53 641	24 764
Central government	366 550		8 726					8 726
Other public administrations	879 447	3 707	292 030	60 385	73 328	92 345	53 641	16 038
Other financial corporations and individual entrepreneurs (financial business)	186 922	6 256	801	5 598	358	317	11	773
Non-financial corporations and individual entrepreneurs (non-financial business)	7 547 327	1 480 443	1 592 378	747 581	459 204	413 742	276 330	1 175 964
Real estate construction and development	386 983	201 574	31 925	102 656	81 223	21 216	9 016	19 388
Civil construction	117 523	5 263	33 489	4 047	2 118	1 663	1 302	29 622
Other	7 042 821	1 273 606	1 526 964	640 878	375 863	390 863	266 012	1 126 954
Large companies	3 430 924	446 240	1 182 392	391 596	100 647	154 749	106 574	875 066
Small and medium-sized companies	3 611 897	827 366	344 572	249 282	275 216	236 114	159 438	251 888
Individuals	12 355 868	10 917 573	284 112	2 476 068	3 388 015	4 365 964	859 517	112 121
Homes	10 952 103	10 866 696	56 482	2 443 547	3 357 052	4 298 649	757 027	66 903
Consumer spending	1 038 603	75	177 339	7 059	16 425	43 050	80 593	30 287
Other	365 162	50 802	50 291	25 462	14 538	24 265	21 897	14 931
Total	**22 106 456**	**12 407 979**	**2 178 047**	**3 289 632**	**3 920 905**	**4 872 368**	**1 189 499**	**1 313 622**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

31-12-2018

	Balance net of impairments	Of which: real estate mortgage secured	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (LTV)				
				≤ 40 %	> 40 % ≤ 60 %	> 60 % ≤ 80 %	> 80 % ≤ 100 %	> 100%
Central Banks and credit institutions	758 337							
Public sector	1 219 795	3 878	327 232	61 320	82 842	91 763	65 991	29 194
Central government	367 500		13 026					13 026
Other public administrations	852 295	3 878	314 206	61 320	82 842	91 763	65 991	16 168
Other financial corporations and individual entrepreneurs (financial business)	216 236	7 293	32	4 335	40	2 099	16	835
Non-financial corporations and individual entrepreneurs (non-financial business)	7 409 465	1 253 511	1 228 045	517 877	378 942	347 361	239 429	997 947
Real estate construction and development	376 074	120 390	84 030	91 694	13 589	18 260	5 811	75 066
Civil construction	111 454	6 361	31 820	1 507	4 832	57	761	31 024
Other	6 921 937	1 126 760	1 112 195	424 676	360 521	329 044	232 857	891 857
Large companies	3 327 200	361 485	825 970	192 804	111 135	109 732	91 045	682 739
Small and medium-sized companies	3 594 737	765 275	286 225	231 872	249 386	219 312	141 812	209 118
Individuals	12 329 968	10 966 551	296 555	2 267 439	3 050 262	4 441 386	1 363 255	140 764
Homes	11 001 828	10 912 508	60 040	2 238 635	3 018 819	4 371 757	1 253 880	89 457
Consumer spending	958 897	51	187 947	6 355	14 241	42 950	87 114	37 338
Other	369 243	53 992	48 568	22 449	17 202	26 679	22 261	13 969
Total	**21 933 801**	**12 231 233**	**1 851 864**	**2 850 971**	**3 512 086**	**4 882 609**	**1 668 691**	**1 168 740**

Note: Includes Loans to central banks, credit institutions and Customers (does not include debt securities and other Customer applications) Map built based on commercial segmentation.

Concentration by sovereign risk

Banco BPI's exposure to entities with sovereign risk is subject to the general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile. Therefore, metrics and limits of exposure to the Portuguese public sector and to the public sector of all other countries were established in the Risk Appetite Framework. The Bank's exposure to entities with sovereign risk is for the most part concentrated in Portugal, Spain and Italy.

Exposure to entities with sovereign risk

The table below shows the breakdown of BPI's exposure to sovereign debt:

30-06-2019

Country	Residual maturity	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost [1]
Portugal	Less than 3 months		225 187	3 715
	3 months to 1 year		576 564	62 442
	1 to 2 years	1 045		577 499
	2 to 3 years	1 155		68 000
	3 to 5 years	368	137 294	89 220
	5 to 10 years			461 337
	More than 10 years			628 607
		2 568	**939 045**	**1 890 820**
Spain	2 to 3 years		309 436	710 016
	3 to 5 years		308 806	
			618 242	**710 016**
Italy	1 to 2 years			501 316
				501 316
Other	1 to 2 years			49 486
	3 to 5 years			17 199
	5 to 10 years			77 016
	More than 10 years			78 283
				221 984
		2 568	**1 557 287**	**3 324 136**

[1] Does not include interest receivable.

31-12-2018

Country	Residual maturity	Financial assets held for trading	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost [1]
Portugal	Less than 3 months		50 044	10 319
	3 months to 1 year		740 568	18 589
	1 to 2 years			53 415
	2 to 3 years	4 167		550 382
	3 to 5 years	365		143 777
	5 to 10 years			475 306
	More than 10 years			533 141
		4 532	**790 612**	**1 784 929**
Spain	2 to 3 years		307 939	712 423
			307 939	**712 423**
Italy	Less than 3 months		178 819	
	1 to 2 years			401 054
	2 to 3 years			100 698
			178 819	**501 752**
Other	2 to 3 years			49 486
	3 to 5 years			9 698
	5 to 10 years			83 434
	More than 10 years			78 283
				220 901
		4 532	**1 277 370**	**3 220 005**

[1] Does not include interest receivable.

Concentration by credit quality

The tables below show the concentration of credit risk by rating of exposures in debt securities and loans and advances held by the Bank:

Credit risk quality (rating)

The breakdown of debt securities by rating at 30 June 2019 and 31 December 2018 is as follows:

30-06-2019

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
AAA/AA+/AA/AA-				1 820 651	1 820 651
A+/A/A-				726 829	726 829
BBB+/BBB/BBB-	2 568	1 044	1 557 287	1 860 399	3 421 298
"Investment grade"	**2 568**	**1 044**	**1 557 287**	**4 407 879**	**5 968 778**
	21%	0%	100%	58%	64%
BB+/BB/BB-		57 040		379 225	436 265
B+/B/B-				17 252	17 252
No rating	9 924	209 888		2 741 701	2 961 513
"Non-investment grade"	**9 924**	**266 928**		**3 138 178**	**3 415 030**
	79%	100%		42%	36%
	12 492	**267 972**	**1 557 287**	**7 546 057**	**9 383 808**

31-12-2018

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
AAA/AA+/AA/AA-				1 819 400	1 819 400
A+/A/A-				898 112	898 112
BBB+/BBB/BBB-	4 532	1 079	1 277 370	1 801 666	3 084 647
"Investment grade"	**4 532**	**1 079**	**1 277 370**	**4 519 178**	**5 802 159**
	33%	0%	100%	60%	64%
BB+/BB/BB-		53 868		302 034	355 902
B+/B/B-				18 208	18 208
No rating	9 361	228 192		2 716 875	2 954 428
"Non-investment grade"	**9 361**	**282 060**		**3 037 117**	**3 328 538**
	67%	100%		40%	36%
	13 893	**283 139**	**1 277 370**	**7 556 295**	**9 130 697**

The breakdown of loans and advances to central banks and other credit institutions by rating class is as follws:

			30-06-2019		31-12-2018	
Exposures			**800 651**		**790 761**	
	External Rating	AAA t AA-	83 472	10%	89 923	11%
		A+ to A-	228 718	29%	212 214	27%
		BBB+ to BBB-	462 972	58%	479 121	60%
		BB+ to BB-	25 489	3%	9 502	1%
			800 651	**100%**	**790 761**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

The breakdown of loans and advances to Customers by rating class is as follows:

			30-06-2019		31-12-2018	
Exposures *Non-Default*			**20 921 282**	**97%**	**20 792 798**	**97%**
	External Rating	AAA to AA-	63 027	0%	111 511	1%
		A+ to A-			2 124	0%
		BBB+ to BBB-	929 791	4%	870 114	4%
		BB+ to BB-	37 869	0%	40 694	0%
		B+ to B-	48 701	0%	51 749	0%
		< B-	209	0%	34	0%
	Rating Project Finance	Strong	65 000	0%	73 565	0%
		Good	657 346	3%	826 533	4%
		Satisfactory	396 682	2%	244 784	1%
		Weak	17 424	0%	17 891	0%
	Rating Companies	E01 to E03	793 693	4%	875 301	4%
		E04 to E06	2 084 763	10%	1 973 240	9%
		E07 to E10	1 017 716	5%	972 417	5%
		ED1 to ED2	587	0%	907	0%
	Rating Small businesses	N01 to N03	155 852	1%	76 262	0%
		N04 to N06	821 284	4%	735 409	3%
		N07 to N10	629 805	3%	800 144	4%
		ND1 to ND2	4 452	0%	3 162	0%
	Scoring	01 to 03	4 312 886	20%	4 010 775	19%
		04 to 06	4 855 978	23%	5 083 357	24%
		07 to 10	2 627 926	12%	2 646 132	12%
		D01 to D02	22 565	0%	17 031	0%
	No rating		1 377 726	6%	1 359 662	6%
Exposures *Default*			**542 516**	**3%**	**565 249**	**3%**
			21 463 798	**100%**	**21 358 047**	**100%**

Note: Exposure net of impairments (the amounts shown include accrued interest)

CRR default criterion (Regulation (EU) 575/2013)

3.2.3. Relevant information regarding financing for property construction and development, home purchasing, and foreclosed assets

Relevant information regarding financing for property development, home purchasing, and foreclosed assets is provided in the following section.

Financing for real estate construction and development

The tables below show the level of financing provided to real estate construction and development (does not include advances)

30-06-2019

	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate construction and development	440 245	(53 262)	386 983	158 144
Of which: Stage 3	63 178	(48 095)	15 083	2 371

31-12-2018

	Gross amount	Impairment	Value net of impairments	Excess over the maximum recoverable value of collateral
Real estate construction and development	430 347	(54 273)	376 074	229 498
Of which: Stage 3	64 959	(49 331)	15 628	2 672

The following table presents the value of financial guarantees given for real estate construction and development, which indicates the maximum level of exposure to credit risk (i.e. the amount the Bank would have to pay if the guarantee were called on).

	30-06-2019		31-12-2018	
	Gross amount	**Impairments and provisions**	**Gross amount**	**Impairments and provisions**
Guarantees provided				
Real estate construction and development	144 264	5 943	135 490	5 972

The table below provides information on guarantees received for real estate development loans, broken down by classification of Customer insolvency risk:

	30-06-2019		31-12-2018	
	Real estate mortgage	**Other collateral**	**Real estate mortgage**	**Other collateral**
Real estate construction and development	**640 187**	**58 464**	**468 950**	**46 194**
Of which: Non-performing	80 688	7	80 116	63

Home loans

The table below shows the evolution of home loans:

	30-06-2019[2]		31-12-2018[2]	
Not real estate mortgage secured	85 408	1%	89 320	1%
Of which: Default [1]	14 783		12 155	
Real estate mortgage secured	10 866 695	99%	10 912 508	99%
Of which: Default [1]	317 411		344 341	
Total home loans	**10 952 103**	**100%**	**11 001 828**	**100%**

[1] CRR default criterion (Regulation (EU) 575/2013)

[2] Exposure net of impairments (the amounts shown include accrued interest).

The table below shows the amount of residential mortgage loans, by LTV brackets:

	30-06-2019[1]		31-12-2018[1]	
	Total	**Of which: Default [2]**	**Total**	**Of which: Default [2]**
LTV ≤ 40%	2 441 850	46 162	2 237 156	41 331
40% < LTV ≤ 60%	3 352 736	68 898	3 014 636	66 139
60% < LTV ≤ 80%	4 284 746	109 914	4 357 477	113 699
80% < LTV ≤ 100%	723 901	53 344	1 216 816	70 860
LTV > 100%	63 462	39 093	86 423	52 312
Total home loans	**10 866 695**	**317 411**	**10 912 508**	**344 341**

[1] Exposure net of impairments (the amounts include accrued interest).

[2] CRR default criterion (Regulation (EU) 575/2013)

The table below shows the book value and impairment of property foreclosed for loan recovery:

	30-06-2019			31-12-2018		
	Gross amount	**Impairment**	**Net amount**	**Gross amount**	**Impairment**	**Net amount**
Homes	18 834	2 948	15 886	22 591	3 093	19 498
Other	25 178	14 607	10 571	28 721	15 611	13 110
Total	**44 012**	**17 555**	**26 457**	**51 312**	**18 704**	**32 608**

3.3. Market risk

The table below shows the values of average VaR at 99% with a time horizon of two weeks (10 business days) in accordance with BPI's different risk factors. As can be seen, the value of the risk is immaterial, given the limited expression of open positions in the trading book.

	Total	Interest Rate	Exchange Rate	Share Prices
Average VAR first semester 2019	136	100	56	49
Average VAR 2018	264	58	48	245

In the first semester of 2019, the average and the maximum value of the VaR at 99% with a time horizon of one day (adjusted for root of 10) in BPI's trading activities was 136 t.euros and 225 t.euros, respectively.

Capital requirements for market risk are determined based on the standardised approach. The values calculated are insignificant, given the low representativeness of the portfolio.

3.4. Structural interest rate risk

The management of this market risk by Banco BPI seeks to i) optimise the net interest income and ii) preserve the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of the volatility of the net interest income and the sensitivity of economic value. These objectives are defined in accordance with the policies established at CaixaBank Group level.

The table below shows, using a static gap, the distribution of contractual maturities and interest rate repricings of interest-rate sensitive amounts in the banking book, at 30 June 2019:

	1 ano	2 anos	3 anos	4 anos	5 anos	> 5 anos	TOTAL
ATIVO							
Interbank and Central Banks	2 235 285						2 235 285
Loans and advances to Customers	19 560 007	708 133	473 989	216 576	162 763	659 573	21 781 041
Fixed income portfolio	1 724 316	1 000 000	1 006 000	442 500		335 711	4 508 527
Total Assets	**23 519 608**	**1 708 133**	**1 479 989**	**659 076**	**162 763**	**995 284**	**28 524 853**
LIABILITIES							
Interbank and Central Banks	1 915 730	953 830					2 869 560
Customer deposits	12 144 593	2 410 835	2 163 949	1 308 361	1 308 368	3 646 309	22 982 415
Own issues	986 700	2 456			500 000		1 489 156
Total Liabilities	**15 047 023**	**3 367 121**	**2 163 949**	**1 308 361**	**1 808 368**	**3 646 309**	**27 341 131**
Assets minus Liabilities	**8 472 585**	**(1 658 988)**	**(683 960)**	**(649 285)**	**(1 645 605)**	**(2 651 025)**	**1 183 722**
Hedges	**(1 501 699)**	**927 940**	**954 213**	**(225 904)**	**417 535**	**(568 620)**	**3 466**
Total difference	**6 970 886**	**(731 048)**	**270 253**	**(875 189)**	**(1 228 070)**	**(3 219 645)**	**1 187 187**

The sensitivity of net interest income and economic value are complementary measures that provide an overview of structural interest rate risk, which is more focused on the short and medium term in the first case and on the medium and long term in the second.

The table below shows the sensitivity of the net interest income and the economic value of interest rate-sensitive assets and liabilities to a 200 basis points interest rate instantaneous increase and decrease:

Amounts as % of baseline scenario	**+200 bp**	**-200 bp[3]**
Net interest income [1]	+29.5%	-15.6%
Asset value (banking book)[2]	+7.8%	+2.6%

[1] Net interest income sensitivity at 1 year

[2] Economic value baseline sensitivity

[3] In the case of falling-rate scenarios the applied internal methodology accepts negative interest rates. Given the current level of interest rates, the methodology accepts an interest-rate decline shock of up to approximately -1%. For example, considering a EONIA curve interest rate of -0.40%, the interest rate subject to a shock of -1% in this curve could be as low as -1.40%.

3.5. Exchange rate risk

Banco BPI has foreign currency assets and liabilities in its balance sheet, mainly as a result of its commercial activity, including foreign currency assets and liabilities deriving from the transactions carried out to mitigate exchange rate risk in that activity. The Bank also has some foreign currency structural positions related to equity holdings in financial Institutions outside the Eurozone.

At 30 June 2019, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	USD	AKZ	Other
Cash and cash balances at central banks and other demand deposits	12 643	67 086	21 387
Financial assets held for trading	9 693		180
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	62 330		
Financial assets at fair value through other comprehensive income	9 089	500 946	
Financial assets at amortised cost	422 409		74 646
Derivatives - Hedge accounting	7 358		172
Fair value changes of the hedged items in portfolio hedge of interest rate risk	3 661		
Investments in subsidiaries, joint ventures and associates	712		
Tangible assets			
Intangible assets			
Tax assets			
Other assets	58		4 638
Non-current assets and disposal groups classified as held for sale			
Foreign exchange operations pending settlement and forward position operations	1 225 632		85 549
Total Assets	**1 753 585**	**568 032**	**186 572**
Financial liabilities held for trading	1 970		123
Financial liabilities at amortised cost	1 747 949		181 930
Derivatives - Hedge accounting	3 659		
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 724		38
Provisions			
Tax liabilities			
Other liabilities	(5 814)		(7)
Total Liabilities	**1 750 488**		**182 084**

The exchange rate risk in the Bank's regular activity may be hedged through on-balance sheet operations (deposits or foreign currency investments) or through financial derivatives that mitigate the risk of positions in foreign currency. It should be noted that the nominal value of derivatives is not reflected directly in the balance sheet but in off-balance sheet accounts. The approach to foreign-exchange risk management at Banco BPI is to seek to minimise the positions assumed, which explains the Bank's low exposure to this risk.

The relevant foreign exchange positions held by Banco BPI result from the equity holdings in financial institutions of countries outside the Eurozone, notably in Banco de Fomento de Angola (position in Angolan Kwanzas) and Banco Comercial e de Investimentos S.A. (Positions in Mozambique Metical). BFA's fair value estimate factors in a projection of the foreign exchange devaluation of the Kwanza, and in the case of the equity holdings, the impact of foreign exchange changes also depends on the composition of the balance sheet of each of those companies.

Excluding the foreign currency positions in Kwanza and Metical resulting from the equity holdings in BFA and BCI, BPI's exposure and sensitivity to exchange rate risk is not significant, taking into account the existing hedges.

At 31 December 2018, the equivalent euro value of all foreign currency assets and liabilities was as follows:

	USD	AKZ	Other
Cash and cash balances at central banks and other demand deposits	16 187	30 293	43 772
Financial assets held for trading	10 623		629
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	64 931		
Financial assets at fair value through other comprehensive income	6 888	521 935	
Financial assets at amortised cost	453 358		95 749
Derivatives - Hedge accounting	3 564		140
Fair value changes of the hedged items in portfolio hedge of interest rate risk	792		
Investments in subsidiaries, joint ventures and associates	707		
Other assets	69		25
Foreign exchange operations pending settlement and forward position operations	1 329 495		62 247
Total Assets	**1 886 614**	**552 228**	**202 562**
Financial liabilities held for trading	1 977		574
Financial liabilities at amortised cost	1 895 167		196 907
Derivatives - Hedge accounting	1 503		32
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(679)		(33)
Other liabilities	(6 334)		(1 724)
Total Liabilities	**1 891 634**		**195 756**

3.6. Liquidity risk

Banco BPI manages liquidity risk with the objective of maintaining liquidity levels that allow them to respond, in a timely manner, to its payment obligations, without investment activities being affected by lack of funds, while maintaining a balanced balance sheet structure in the long term. Liquidity risk is managed in its various aspects: i) the ability to keep up with assets growth and to meet cash requirements without incurring exceptional losses; ii) the maintenance in the portfolio of tradable assets that constitute a sufficient liquidity buffer; (iii) compliance with the various regulatory requirements in the context of liquidity risk.

The breakdown of BPI's total liquid assets is as follows:

Total liquid assets

	30-06-2019		31-12-2018	
	Market value	Eligible value	Market value	Eligible value
Level 1 Assets	4 501 004	4 501 004	3 853 576	3 853 576
Level 2A Assets	46 820	39 797	50 695	43 091
Total HQLA [1]	**4 547 824**	**4 540 801**	**3 904 271**	**3 896 667**
Other non-HQLA		**5 307 305**		**5 600 891**
Total liquid assets (HQLA + other non-HQLA)		**9 848 105**		**9 497 558**

[1] In accordance with the liquidity coverage ratio (LCR) calculation criteria

The table below shows the detail of the average value (last 12 months) of the LCR calculation components at 30 June 2019 and 31 December 2018.

Liquidity coverage ratio (rácio LCR)

(Average in last 12 months)	30-06-2019	31-12-2018
High quality liquid assets (numerator)	4 082 149	3 930 123
Total net outflows (denominator)	2 590 897	2 629 318
Cash outflows	3 513 688	3 491 672
Cash inflows	922 791	862 353
LCR	**158%**	**149%**

Note: The table presents the simple arithmetic mean in the last 12 months of the LCR ratio and respective calculation components. According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions. The established regulatory limit for the LCR ratio is 100% from 1 January 2018.

At 30 June 2019 the main ratings assigned by international rating agencies to Banco BPI were the following:

	Long-term debt	Short-term debt	Outlook	Date of last review	Mortgage covered bonds rating
DBRS Rating Limited	-	-	-	-	AA (Low)
Fitch Ratings	BBB [1]	F2	Stable	6/12/2018	-
Moody's Investors Service	Ba1 [2]	NP	Stable	6/26/2019	Aa3
Standard & Poor's Global Ratings	BBB [3]	A-2	Stable	3/18/2019	-

[1] Long-term issuer default rating

[2] Long term Debt Rating / Issuer rating

[3] Long Term Issuer Credit Rating

The tables below show the breakdown of certain balance sheet items by contractual term to maturity, under normal market conditions:

Term to maturity of operations at 30 June 2019

	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	1 898 096						1 898 096
Derivatives							
Financial assets held for trading	3 807	7 456	5 526	1 149	21 787	112 325	152 050
Hedge accounting		291	1 468	5 919	25 361	1 483	34 522
Debt securities							
Financial assets held for trading				4 946	7 546		12 492
Financial assets not designated for trading compulsorily measured at fair value through profit or loss		4 500		1 043		262 429	267 972
Financial assets at fair value through other comprehensive income			225 187	576 564	755 536		1 557 287
Financial assets at amortised cost	9 461	495 612	240 282	287 192	2 232 717	4 280 793	7 546 057
Loans and advances	446 289	667 182	784 318	1 363 352	3 246 157	15 757 151	22 264 449
Total Assets	2 357 653	1 175 041	1 256 781	2 240 165	6 289 104	20 414 181	33 732 925
Derivatives							
Financial liabilities held for trading	144	6 486	5 616	1 328	25 170	125 550	164 294
Hedge accounting		49	110	469	21 548	54 187	76 363
Financial liabilities at amortised cost							
Deposits							
Central Banks				405 872	944 228		1 350 100
Credit Institutions	51 370	813 458	9 536	92 508	389	454 694	1 421 955
Customers	14 522 800	1 013 657	1 700 589	3 652 164	2 403 465	1 884	23 294 559
Debt securities issued							
Mortgage bonds					800 000	250 000	1 050 000
Bonds		740	397	4 269	1 715		7 121
Subordinated liabilities						304 501	304 501
Other financial liabilities	76 027	1 085 583	322	952	963	3 244 529	4 408 376
Total Liabilities	14 650 341	2 919 973	1 716 570	4 157 562	4 197 478	4 435 345	32 077 269
Of which wholesale funding:		128 697			800 000	554 501	1 483 198
Assets minus Liabilities	**(12 292 688)**	**(1 744 932)**	**(459 789)**	**(1 917 397)**	**2 091 626**	**15 978 836**	**1 655 656**

Term to maturity of operations at 31 December 2018

	On demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Cash and cash balances at central banks and other demand deposits	2 336 030						2 336 030
Derivatives							
Financial assets held for trading	4 990	8 579	7 556	2 734	19 728	88 121	131 708
Hedge accounting		683	2 399	3 195	7 732	311	14 320
Debt securities							
Financial assets held for trading					13 893		13 893
Financial assets not designated for trading compulsorily measured at fair value through profit or loss				1 079		282 060	283 139
Financial assets at fair value through other comprehensive income			228 863	740 568	307 939		1 277 370
Financial assets at amortised cost		270 716	243 606	181 671	2 121 512	4 738 790	7 556 295
Loans and advances	280 439	891 987	952 226	1 192 813	3 385 827	15 445 516	22 148 808
Total Assets	2 621 459	1 171 965	1 434 650	2 122 060	5 856 631	20 554 798	33 761 563
Derivatives							
Financial liabilities held for trading		8 781	7 686	2 435	21 514	100 919	141 335
Hedge accounting		84	4 009	12 220	15 861	23 836	56 010
Financial liabilities at amortised cost							
Deposits							
Central Banks					1 352 843		1 352 843
Credit Institutions	241 216	899 048	221 650	35 744		475 590	1 873 248
Customers	13 506 089	1 875 655	1 719 101	4 165 041	1 875 990	2 263	23 144 139
Debt securities issued							
Mortgage bonds					300 000	250 000	550 000
Other bonds		534	5 430	5 716	6 670		18 350
Subordinated liabilities						304 514	304 514
Other financial liabilities	14 110	439 378	4 295	580 595	1 806	3 618 501	4 658 685
Total Liabilities	13 761 415	3 223 480	1 962 171	4 801 751	3 574 684	4 775 623	32 099 124
Of which wholesale funding:							
Assets minus Liabilities	**(11 139 956)**	**(2 051 515)**	**(527 521)**	**(2 679 691)**	**2 281 947**	**15 779 175**	**1 662 439**

3.7. Other risks

There were no significant changes in the risk levels and in the policies during the first semester of 2019.

4. SOLVENCY MANAGEMENT

4.1. Regulatory framework

The global regulatory framework for supervision and prudential rules on solvency, known as Basel III, came into force in the European Union through Directive 2013/36 (CRD IV) and Regulation 575/2013 (CRR), in which a progressive schedule of implementation is established for the respective requirements.

Furthermore, the Supervisory Review and Evaluation Process (SREP), which configures Pillar II of the Basel regulatory framework, consists of an ongoing supervision process to evaluate the adequacy of capital, liquidity, corporate governance, and risk management and control, harmonised at European level by the EBA. The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses specifically detected. The SREP seeks to assess the individual viability of entities, considering cross-cutting analyses and comparisons against their peers. Any potential additional capital requirements are complemented by combined capital buffer requirements.

In 2019, Banco BPI is not subject to Pillar 2 minimum requirements on an individual basis.

4.2. Capital management

At 30 June 2019, Banco BPI had a Common Equity Tier 1 (CET1) ratio of 12.8%, a Tier 1 ratio of 12.8% and a total ratio of 14.5%, without considering the 2019 interim results in the calculation of these ratios

Considering the inclusion of the interim results and the upper end (payout of 50%) of the range set forth in Banco BPI's Long-Term Dividend Policy[2], as established in Art. 2 of Commission Delegated Regulation (EU) no. 241/2014, the CET1 ratio would be 13.1%, the Tier 1 ratio would be 13.1% and the total ratio would be 14.8%.

The following table shows the composition of Banco BPI individual own funds:

	30-06-2019		31-12-2018	
	Amount	**%**	**Amount**	**%**
CET1 instruments	**2 851 273**		**2 903 280**	
Accounting shareholders' equity	2 857 622		3 048 617	
Dividends payable			(140 000)	
AVA adjustments and gains/(losses)	(6 349)		(5 337)	
CET1 Deductions	**(621 340)**		**(626 483)**	
Intangible assets	(51 512)		(55 037)	
Deferred taxes assets and financial investments	(494 796)		(526 017)	
Other deductions	(75 032)		(45 429)	
CET1	**2 229 933**	**12.8%**	**2 276 797**	**13.3%**
TIER 1	**2 229 933**	**12.8%**	**2 276 797**	**13.3%**
TIER2 Instruments	300 000		300 000	
TIER2	**300 000**	**1.7%**	**300 000**	**1.8%**
TOTAL CAPITAL	**2 529 933**	**14.5%**	**2 576 797**	**15.1%**
RWA	**17 437 320**		**17 064 081**	
Fully Loaded				
CET1		**12.8%**		**13.3%**
T1		**12.8%**		**13.3%**
Total capital		**14.5%**		**15.1%**

Note: In 2019, it incorporates 7 basis points impact from the first application of IFRS16.

The following table shows the breakdown of the leverage ratio:

Leverage ratio

	30-06-2019		31-12-2018	
	Amount	**%**	**Amount**	**%**
Exposure	36 055 932		36 281 730	
Leverage ratio		**6.2%**		**6.3%**

[2] The Long-Term Dividend Policy of Banco BPI approved by the single shareholder, CaixaBank, S.A., by Unanimous Written Resolution on 31 January 2019, provides for the distribution of an annual dividend, tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, where the exact amount to be proposed (by the Board of Directors to the General Meeting) shall be defined in light of a prudent judgement which takes into account, in view of the specific situation at the time of Banco BPI, the permanent satisfaction of adequate levels of liquidity and solvency.

5. DIVIDEND DISTRIBUTION AND EARNINGS PER SHARE

Dividend policy

In line with the amendment to the articles of association of Banco BPI approved at the General Shareholders' Meeting of 20 April 2006, these articles now include the following rule (Article 26- 3): "The General Shareholders' Meeting shall decide on the long-term dividend policy proposed by the Board of Directors, which shall justify any deviations from that policy."

For compliance with this statutory rule, Banco BPI's long-term dividend policy was approved on 31 January 2019, as follows:

1. General Principle

Subject to a proposal to be submitted by the Board of Directors to the General Meeting, distribution of an annual dividend tendentially between 30% and 50% of the net income reported in the individual accounts for the year to which it relates, with the exact amount to be proposed being defined in accordance with a prudent judgement that balances the situation of the Bank at the time with the need to maintain at all times adequate levels of liquidity and solvency.

2. Conditioning factors

The provisions of point 1 above represent a mere principle, which, as such, is not binding upon the General Meeting, which can at any time, not only change it, but also resolve on a percentage of distribution below the minimum 30% threshold or above the maximum 50% threshold therein referred, or on no distribution at all.

The provisions of item 1 are therefore only intended to:

i) give the shareholders and third parties a medium/long term perspective of the company's objectives in terms of dividend distribution;

ii) impose on the Board of Directors, when it intends to propose a dividend distribution outside the thresholds therein established, the duty of substantiating this option.

In addition, the distribution principle set out in the previous paragraph shall be subject to:

a) Compliance with the capital ratios at any time applicable to the Bank, whether under Pillar 1 or Pillar 2, as well as with other applicable legal provisions, namely those governing what is considered the "maximum distributable amount ";

b) When the net income determined in the individual accounts includes dividends from companies that have not yet been paid to the Bank, the Board of Directors shall exclude the amount of these dividends from the base used for the definition of the dividends to be distributed, whenever a prudent judgement so advises;

c) Respect for the findings and guidelines of the Bank's ICAAP and RAF at any time in force;

d) the absence of exceptional circumstances that justify, in the Board of Directors reasoned opinion, submitting to the Shareholders' deliberation the distribution of a dividend below the 30% threshold or above the 50% threshold.

The distribution of 2018 results, made through the payment of dividends in the amount of 140 million euros, was approved by the Board of Directors at 15 April 2019 and subsequently at the Shareholders General Meeting at 29 April 2019.

	2018
Net income reported in the individual accounts of Banco BPI	914 311
Net capital gain on revaluation of equity holding in BFA	(456 676)
Net profit for dividend distribution purposes	**457 635**
Application of individual net profit of 2018	
To dividends	140 000
To legal reserve	91 431
To other reserves	682 880
Individual profit of Banco BPI in 2018	**914 311**
Payout ratio for dividend distribution purposes	**30.6%**

Basic and diluted earnings per share, as per the individual profit of Banco BPI attributable to its shareholders, are calculated as follows:

	30-06-2019	30-06-2018
Numerator (in thousand euros)		
Profit/(loss) after tax and minority interests from continuing operations	131 904	211 066
Profit/(loss) after tax from discontinued operations		77 658
Profit/(loss)	**131 904**	**288 724**
Denominator (in thousand shares)		
Average number of outstanding shares	1 456 924	1 456 924
Average number of treasury shares		151
Adjusted number of shares (basic earnings per share) [1]	**1 456 924**	**1 456 773**
Basic earnings per share (in euros)		
Profit/(loss) per share from continuing operations	0.091	0.145
Profit/(loss) per share from discontinued operations		0.053
Basic earnings per share	**0.091**	**0.198**
Diluted earnings per share (in euros)		
Diluted earnings per share from continuing operations	0.091	0.145
Diluted earnings per share from discontinued operations		0.053
Diluted earnings per share	**0.091**	**0.198**

[1] Average number of shares outstanding, excluding the average number of treasury shares held during the period.

6. SEGMENTS

The objective of business segment reporting is to allow internal supervision and management of BPI's activity and consolidated income. To define and segregate segments, are taking into account the inherent risks and management characteristics of each segment. The information reporting used by management is essentially prepared on an accounting basis supported by the IFRS. Their preparation relies on i) the same presentation principles used for the Bank's management information, and ii) the same accounting principles and policies used to prepare the annual financial statements:

At 30 June 2019, BPI's segment reporting considers the following segments:

- Domestic operations: includes the commercial banking business in Portugal and the equity holdings activity.
- International operations: includes the results generated in Mozambique by Banco Comercial e de Investimentos, S.A.R.L. and the results associated to the equity holding in Banco de Fomento Angola, classified in the portfolio of equity instruments at fair value through other comprehensive income.

Commercial Banking

Banco BPI's operations are focused mainly on commercial banking. Commercial banking includes:

- Retail Banking - Commercial operations with individual Customers, individual entrepreneurs and companies with turnover of up to 5 million euros, developed through a multi-channel distribution network comprising traditional branches and investment centres. It also includes the Private Banking area, which is responsible for implementing strategies and submitting investment proposals to the Customers, and for the management of their financial assets.
- Corporate Banking, Project Finance and Institutional Banking - Commercial operations with companies with turnover above 2 million euros, operating alongside Retail banking in the segment of up to 5 million euros. Also includes project finance services and the relationship with Public Sector entities, state-owned and municipal Companies, the State Business Sector, Foundations and Associations. This segment operates through a network of corporate centres and institutional centres that cater to the area's business needs.

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

Equity holdings

This segment essentially comprises the dividends distributed by associated companies and joint ventures in Portugal (Cosec, Allianz, Unicre and Inter-Risco) as well as the income associated to participation units in credit recovery and private equity funds, and to investments in shares.

At 30 June 2019, the income statement by business segment of BPI was as follows:[1]

	Domestic Activity			International Activity			Banco BPI
	Commercial Banking	Equity holdings	**Total**	Angola	Mozambique	**Total**	
1.Interest income	267 319	316	**267 635**				**267 635**
2.Interest expense	(49 561)		**(49 561)**				**(49 561)**
3.Net interest income [1+2]	**217 758**	**316**	**218 074**				**218 074**
4.Income from equity instruments	46	9 867	**9 913**	45 997	5 078	**51 075**	**60 988**
5.Fee and commission income	135 233		**135 233**				**135 233**
6.Fee and commission expense	(11 937)		**(11 937)**				**(11 937)**
7.Net fee and commission income [5+6]	**123 296**		**123 296**				**123 296**
8.Gains/(losses) on financial operations	11 450	(8 673)	**2 777**	(4 576)		**(4 576)**	**(1 799)**
9.Operating income and expenses	(12 460)		**(12 460)**	(4 600)	(508)	**(5 108)**	**(17 567)**
10.Gross income [3+4+7+8+9]	**340 091**	**1 510**	**341 601**	**36 821**	**4 570**	**41 392**	**382 992**
11.Staff expenses	(119 705)		**(119 705)**				**(119 705)**
12.Suppliers and external services	(74 771)	(0)	**(74 771)**				**(74 771)**
13.Fixed assets amortisation and depreciation	(26 127)		**(26 127)**				**(26 127)**
14.Operating expenses [11+12+13]	**(220 603)**	**(0)**	**(220 603)**				**(220 603)**
15.Net operating income [10+14]	**119 488**	**1 510**	**120 998**	**36 821**	**4 570**	**41 392**	**162 389**
16.Impairment losses on financial assets	10 857		**10 857**				**10 857**
17.Other impairments and provisions	(132)		**(132)**				**(132)**
18.Gains/(losses) in other assets	299		**299**				**299**
19.Profit/(loss) before tax [15+16+17+18]	**130 512**	**1 510**	**132 022**	**36 821**	**4 570**	**41 392**	**173 413**
20.Income tax	(44 138)	1 375	(42 763)	1 254		1 254	(41 509)
21.Profit/(loss) from continuing operations [19+20]	**86 374**	**2 885**	**89 259**	**38 075**	**4 570**	**42 646**	**131 904**
22.Net profit/(loss) from discontinued operations							
23.Profit/(loss) attributable to minority interests							
24.Net profit/(loss) [21+22+23]	**86 374**	**2 885**	**89 259**	**38 075**	**4 570**	**42 646**	**131 904**

[1] Income statement structure presented in accordance with Banco BPI management information.

At 30 June 2018, the income statement by business segment of BPI was as follows: [1]

	Domestic Activity					International Activity		Banco BPI
	Portugal		Rest of Europe[2]	Inter-segment transactions	**Total**	Angola	**Total**	
	Commercial banking	Equity holdings						
1.Interest income	248 916	438	5 506	(4 125)	**250 735**			**250 735**
2.Interest expense	(41 566)		(1 656)	3 104	**(40 118)**			**(40 118)**
3.Net interest income [1+2]	**207 350**	**438**	**3 850**	**(1 021)**	**210 617**			**210 617**
4.Income from equity instruments	12 676	10 463			**23 139**	47 834	**47 834**	**70 973**
5.Fee and commission income	149 991		1 047	(112)	**150 926**			**150 926**
6.Fee and commission expenses	(23 508)		(561)	384	**(23 685)**			**(23 685)**
7.Net fee and commission income [5+6]	**126 483**		**486**	**272**	**127 241**			**127 241**
8.Gains/(losses) on financial operations	37 833	61 831	(25 645)	1 047	**75 066**	(5 127)	**(5 127)**	**69 939**
9.Operating income and expenses	(15 366)		(150)		**(15 516)**	(4 783)	**(4 783)**	**(20 299)**
10.Gross income [3+4+7+8+9]	**368 976**	**72 732**	**(21 459)**	**298**	**420 547**	**37 924**	**37 924**	**458 471**
11.Staff expenses	(120 576)	(29)	(889)		**(121 494)**			**(121 494)**
12.Suppliers and external services	(80 677)	(2)	(1 324)		**(82 003)**			**(82 003)**
13.Fixed assets amortisation and depreciation	(10 215)		(26)		**(10 241)**			**(10 241)**
14.Operating expenses [11+12+13]	**(211 468)**	**(31)**	**(2 239)**		**(213 738)**			**(213 738)**
15.Net operating income [10+14]	**157 508**	**72 701**	**(23 698)**	**298**	**206 809**	**37 924**	**37 924**	**244 733**
16.Impairment losses on financial assets	(11 492)		22 793	17	**11 318**			**11 318**
17.Other impairments and provisions	(178)				**(178)**			**(178)**
18.Gains/(losses) in other assets	(810)		(48)		**(858)**			**(858)**
19.Profit/(loss) before tax [15+16+17+18]	**145 028**	**72 701**	**(953)**	**315**	**217 091**	**37 924**	**37 924**	**255 015**
20.Income tax	(44 143)	(1 211)	(8 426)	8 426	**(45 354)**	1 405	**1 405**	**(43 949)**
21.Profit/(loss) from continuing operations [19+20]	**100 885**	**71 490**	**(9 379)**	**8 741**	**171 737**	**39 329**	**39 329**	**211 066**
22.Net profit/(loss) from discontinued operations	77 658				**77 658**			**77 658**
24.Net profit/(loss) [21+22+23]	**178 543**	**71 490**	**(9 379)**	**8 741**	**249 395**	**39 329**	**39 329**	**288 724**

[1] Income statement structure presented in accordance with Banco BPI management information.

[2] Includes activity in Madrid and Paris.

The caption Gains/(losses) on financial operations, in the segment of equity investments, includes 59 581 t.euros relating to the capital gain on the sale of the equity holding in Viacer.

7. DISCLOSURE OF THE REMUNERATION OF THE CORPORATE BODIES

The General Meeting of 20 April 2018 approved the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board" (hereinafter the "Remuneration Policy") for the 2017-2019 period.

In accordance with Banco BPI's Articles of Association, the members of the corporate bodies shall have a fixed remuneration and the members of the Executive Committee may receive, in addition to a fixed remuneration, a variable remuneration determined in accordance with the criteria defined in the remuneration policy for the members of the supervision and management bodies.

Note 8 to Banco BPI's 2018 individual financial statements presents in more detail the remuneration of the corporate bodies, namely of the members of Banco BPI's Board of Directors and Executive Committee.

By unanimous written resolution no. 2 of 29 April 2019, CaixaBank, Banco BPI's single shareholder, on a proposal by the Remuneration Committee, approved an amendment to the limit defined in paragraph b) of point 4.2.2 of the "Remuneration Policy of Banco BPI applicable to the members of the Board of Directors and of the Supervisory Board", to the effect of increasing the global limit of the variable component of the remuneration (under the form of a bonus) of executive directors from 1 400 t.euros to 1 550 t.euros, this new limit applying to the variable component of the remuneration of the executive directors to be attributed and/or paid in 2019 relative to their performance in 2018.

Fixed remuneration

The fixed remuneration and attendance fees received by the members of the Board of Directors, excluding those who are members of the Executive Committee, are shown below:

	30-06-2019	30-06-2018
Fixed remuneration	3059	3032
Attendance fees	216	160
	3275	**3192**
Number of persons	10	12

Variable remuneration

The members of the Executive Committee of the Board of Directors may be entitled to receive a variable remuneration. This variable remuneration is dependent upon the performance during a given year, and its attribution is usually decided and made during the first half of the following year.

On April 2019 the payment of a variable remuneration in the global amount of 1 503 t.euros to the members of the Executive Committee of Banco BPI for their performance in financial year 2018 was approved.

Under the terms of the applicable remuneration policy, this variable remuneration comprises one part in cash and another in financial instruments (CaixaBank shares), and it is subject to deferral, i.e., one part thereof is paid in the year in which it is attributed and the other part over the subsequent years.

8. FINANCIAL ASSETS

This note details the various items of financial assets in BPI's balance sheet, except for the "Hedging derivatives" caption. The amounts presented are net of impairment, except where it is explicitly stated that gross amounts are being presented.

30-06-2019

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
Trading derivatives	152 050				152 050
Equity instruments	81 581	138 041	578 140		797 762
Debt securities	12 492	267 972	1 557 287	7 546 057	9 383 808
Loans and advances				22 264 449	22 264 449
Central banks				5 000	5 000
Credit institutions				795 651	795 651
Customers				21 463 798	21 463 798
	246 123	**406 013**	**2 135 427**	**29 810 506**	**32 598 069**

31-12-2018

	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL
Trading derivatives	131 708				131 708
Equity instruments	81 171	154 527	591 523		827 221
Debt securities	13 893	283 139	1 277 370	7 556 295	9 130 697
Loans and advances				22 148 808	22 148 808
Central banks				5 000	5 000
Credit institutions				785 761	785 761
Customers				21 358 047	21 358 047
	226 772	**437 666**	**1 868 893**	**29 705 103**	**32 238 434**

Cash and cash balances at central banks and other demand deposits

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Cash	231 356	278 878
Demand deposits at Bank of Portugal	1 544 137	1 950 209
Other demand deposits	122 920	107 106
Interest on demand deposits at Bank of Portugal	(317)	(163)
	1 898 096	**2 336 030**

The caption ''demand deposits at Bank of Portugal'' includes deposits made to comply with the minimum cash reserve requirements of the Eurosystem. The component of these deposits made to comply with the minimum cash reserve requirements is currently remunerated at 0% and the surplus funds have an interest rate of -0.40%. The minimum cash reserve corresponds to 1% of the amount of deposits and debt securities issued maturing in up to 2 years, excluding liabilities to other institutions subject to and not exempt from the same minimum cash reserve system and the liabilities to the European Central Bank and national central banks that participate in the euro.

Financial assets held for trading

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Trading derivatives	**152 050**	**131 708**
Equity instruments		
Shares in portuguese companies	81 581	81 171
	81 581	**81 171**
Debt securities		
Bonds issued by portuguese government entities	2 568	4 532
Bonds issued by other foreign entities	9 924	9 361
	12 492	**13 893**
	246 123	**226 772**

At 30 June 2019 and 31 December 2018, the caption Equity Instruments corresponds to shares to hedge equity swaps transactions carried out with Customers (Note 25).

Financial assets not designated for trading compulsorily measured at fair value through profit or loss

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Equity instruments		
Shares in portuguese companies	4 756	7 859
Shares in foreign companies	991	
Participation units of portuguese issuers	125 193	133 112
Participation units of foreign issuers	7 101	13 556
	138 041	**154 527**
Debt securities		
Bonds issued by other Portuguese entities	204 598	223 195
Bonds issued by other foreign entitites	63 374	59 944
	267 972	**283 139**
	406 013	**437 666**

Financial assets designated at fair value through other comprehensive income

This caption is made up as follows:

	30-06-2019	31-12-2018
Equity instruments		
Shares in Portuguese companies	65 910	60 480
Shares in foreign companies	512 230	531 043
	578 140	**591 523**
Debt securities		
Bonds issued by Portuguese government entities		
Treasury Bills	801 751	475 875
Treasury Bonds	137 294	314 736
Bonds issued by foreign government entities	618 242	486 759
	1 557 287	**1 277 370**
	2 135 427	**1 868 893**

In December 2018, following Banco BPI's loss of significant influence in BFA, this equity holding was reclassified from ‘Investments in joint ventures and associates’ ‘to Financial assets at fair value through other comprehensive income - equity instruments’ (Note 10).

The movement in the caption ''Equity instruments at fair value through other comprehensive income'', during the first semester of 2019, was as follows:

	31-12-2018	Purchases	Sales	Actual gains/(losses) recognised under other comprehensive income	Potential gains/(losses) recognised under other comprehensive income and exchange difference	30-06-2019
Banco de Fomento Angola, S.A.	522 000				(20 992)	501 008
Other	69 523	1 900	(1 504)	600	6 613	77 132
	591 523	1 900	(1 504)	600	(14 379)	578 140

Financial assets at amortised cost

Debt securities

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Sovereign debt		
Portuguese sovereign debt	536 705	555 844
Foreign sovereign debt	1 216 353	1 216 596
	1 753 058	**1 772 440**
Customer debt		
Other Portuguese public issuers	337 135	252 570
Other Portuguese issuers	5 426 120	5 495 451
Other foreign issuers	34 205	40 362
	5 797 460	**5 788 383**
Impairment	**(4 461)**	**(4 528)**
	7 546 057	**7 556 295**

In 2018 Banco BPI bought a portfolio of medium-long term public debt in the amount of 1.8 billion euros. At 30 June 2019 the average residual maturity of this portfolio was approximately 2 years. The sovereign debt portfolio is made up of Spanish and Italian public debt securities.

The portfolio of debt securities at amortised cost includes securities designated as interest rate hedged assets, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to 14 217 t.euros and 2 621 t.euros, respectively.

Customer debt securities essentially include issues of commercial paper and bonds of Corporate Banking, Project Finance and Institutional Banking customers associated to Banco BPI's commercial loans portfolio.

At 30 June 2019 and 31 December 2018, debt securities included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (note 15), namely 45 301 t.euros and 49 879 t.euros, respectively, allocated as collateral for public sector bonds.

Loans and advances - Central Banks and other Credit Institutions

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Loans and advances to the Bank of Portugal	5 000	5 000
Loans and advances to Credit Institutions in Portugal		
Very short term applications	25 584	9 502
Deposits		102
Cheques for collection	61 668	49 906
Loans	242 467	204 639
Reverse repurchase agreements	12 701	6 661
Other	256	490
Interest receivable and commissions relating to amortised cost	279	153
	342 955	271 453
Loans and advances to other Credit Institutions abroad		
Very short term applications	146 818	261 764
Deposits	128 329	72 367
Cheques for collection	1 211	1 032
Other loans and advances	164 980	167 380
Interest receivable and commissions relating to amortised cost	76	63
Debtors for futures operations	11 282	11 971
	452 696	514 577
Impairment		(269)
	800 651	**790 761**

Loans and advances - Customers

The breakdown of loans and advances to Customers by activity at 30 June 2019 is as follows:

	30-06-2019	
	Gross amount	**Impairment**
Public sector	1 255 167	(97)
Other financial corporations and individual entrepreneurs (financial business)	302 539	(370)
Non-financial corporations and individual entrepreneurs (non-financial business)	7 847 655	(298 141)
Real estate construction and development	440 269	(53 264)
Civil construction	125 020	(7 496)
Other	7 282 366	(237 381)
Large companies	3 561 252	(128 530)
Small and medium-sized companies	3 721 114	(108 851)
Individuals	12 565 677	(208 632)
Homes	11 119 945	(167 842)
Consumer spending	1 071 883	(33 281)
Other	373 849	(7 509)
	21 971 038	**(507 240)**

The breakdown of loans and advances to Customers by activity at 31 December 2018 is as follows:

	31-12-2018	
	Gross amount	**Impairment**
Public sector	1 227 118	(208)
Other financial corporations and individual entrepreneurs (financial business)	380 341	(402)
Non-financial corporations and individual entrepreneurs (non-financial business)	7 738 212	(318 168)
Real estate construction and development	430 388	(54 299)
Civil construction	119 214	(7 755)
Other	7 188 610	(256 114)
Large companies	3 462 108	(133 485)
Small and medium-sized companies	3 726 502	(122 629)
Individuals	12 545 495	(214 341)
Homes	11 176 948	(175 120)
Consumer spending	990 214	(31 317)
Other	378 333	(7 904)
	21 891 166	**(533 119)**

The portfolio of loans and advances to Customers includes loans designated as interest rate hedged assets, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to 46 936t.euros and 24 097 t.euros, respectively.

The detail of guarantees received[1] to secure credit operations is as follows:

	30-06-2019	31-12-2018
Value of collateral	**11 624 594**	**11 662 543**
Of which: Stage 3 guarantee	320 339	352 956
Value of other guarantees	**939 349**	**960 912**
Of which: Stage 3 guarantee	10 359	10 288
	12 563 943	**12 623 455**

[1] The value of the guarantee is the minimum amount between the guarantee received and the net credit amount.

The movement in the caption Loans and advances to Customers during the first semester of 2019 was as follows:

	Loans and advances	Of which:		
		Stage 1	Stage 2	Stage 3
Balance at 31-12-2018	**21 891 166**	**19 397 630**	**1 473 238**	**1 020 298**
Exposure increases / reductions	**99 497**	**247 089**	**(93 050)**	**(54 542)**
Transfers				
From stage 1:		(443 770)	421 625	22 145
From stage 2:		411 058	(456 247)	45 189
From stage 3:		3 090	39 845	(42 935)
Write-offs	(19 625)	(3)	(3)	(19 619)
Balance at 30-06-2019	**21 971 038**	**19 615 094**	**1 385 408**	**970 536**

In the first semester of 2019, the impairments due to expected loss on Loans and advances to Customers was as follows:

	Impairments for loans and advances	Of which:		
		Stage 1:	Stage 2:	Stage 3:
Balance at 31-12-2018	**(533 119)**	**(25 186)**	**(52 878)**	**(455 055)**
Impairment / reversal of impairment due to changes in credit risk	(1 758)	1 897	1 218	(4 873)
Impairment allowance for new financial assets	(19 618)	(10 058)	(1 767)	(7 793)
Reversal of impairments due to reimbursements and recoveries	31 899	6 763	3 232	21 904
Write-offs	19 625	3	3	19 619
Transfers and other	(4 269)	(25)	(41)	(4 203)
Balance at 30-06-2019	**(507 240)**	**(26 606)**	**(50 233)**	**(430 401)**

The breakdown of Customer loan impairments by calculation method is as follows:

	30-06-2019	31-12-2018
Impairments determined individually / collectively		
Specific identified individually	(182 889)	(199 611)
Collective	(324 351)	(333 508)

Loans and advances to Customers include the following non-derecognised securitised assets:

	30-06-2019	31-12-2018
Non-derecognised securitised assets[1]		
Loans		
Home loans	855 827	1 150 034
Loans to SMEs	3 304 781	3 214 901
Interest receivable	11 333	10 003
	4 171 941	**4 374 938**

[1] Excludes overdue loans and interest.

The loans subject to securitisation operations carried out by Banco BPI were not derecognised from the Bank's balance sheet and are recorded under the caption 'Loans not represented by securities'. The amounts received by Banco BPI from these operations are recorded under the caption "Financial liabilities at amortised cost - debt securities issued" (Note 15).

At 30 June 2019 and 31 December 2018, the caption 'Loans and advances to Customers' included operations allocated to the Cover Pool given as collateral for Covered Bonds issued by Banco BPI (Note 15), namely:

- 7 610 825 t.euros and 7 576 415 t.euros, respectively, allocated as collateral to mortgage bonds;
- 721 918 t.euros and 694 340 t.euros, respectively, allocated as collateral to public sector bonds;

Written-off loans

The movement in loans written off from assets in the first semester of 2019 and during 2018 was as follows:

	30-06-2019	31-12-2018
Balance at beginning of period	**1 114 236**	**1 262 300**
Increases:		
Value correction due to depreciation of assets	19 625	57 604
Other	283	
Decreases:		
Recovery of written-off principal and interest	(5 933)	(14 802)
Amount recovered on sale of written-off loans		(22 090)
Remission of written-off credits due to disposals		(162 855)
Other	(1 146)	(5 921)
Balance at end of period	**1 127 065**	**1 114 236**

Loans written off from assets because recovery was deemed to be remote are recognised under the off-balance sheet caption "Loans written off from assets".

9. DERIVATIVES – HEDGE ACCOUNTING

The detail of hedging derivatives is as follows:

	30-06-2019			31-12-2018		
	Gross amount	Assets	Liabilities	Gross amount	Assets	Liabilities
Interest rates	7 903 483	34 522	76 363	7 703 360	14 320	56 010
By type of counterparty:						
Of which: OTC - credit institutions	840 295	10 363	30 414	2 374 616	7 707	43 501
Of which: OTC - other financial companies	7 063 188	24 159	45 949	5 328 744	6 613	12 509

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The detail of investments in joint ventures and associates is as follows:

	Effective holding (%)		Book value	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018
Investments in joint ventures				
Banco Português de Investimento	100.0%	100.0%	26 622	26 622
BPI Incorporated	100.0%	100.0%	4	4
BPI Madeira SGPS	100.0%	100.0%	150 000	150 000
BPI Suisse, S.A.	100.0%	100.0%	2 022	2 022
BPI Private Equity - Sociedade Capital de Risco	100.0%	100.0%	34 534	34 534
Impairments				
Banco Português de Investimento			(3 422)	(2 231)
BPI Private Equity - Sociedade Capital de Risco			(2 214)	(3 511)
Investments in associates				
Banco Comercial e de Investimentos, S.A.	35.7%	35.7%	39 651	39 651
Companhia de Seguros Allianz Portugal, S.A.	35.0%	35.0%	41 680	41 680
Cosec – Companhia de Seguros de Crédito, S.A.	50.0%	50.0%	7 051	7 051
Unicre - Instituição Financeira de Crédito, S.A.	21.0%	21.0%	5 850	5 850
			301 778	**301 672**
BPI INC - Cauções			712	707
			302 490	**302 379**

Banco de Fomento Angola (BFA)

In January 2017 Banco BPI sold 2% of the share capital of Banco de Fomento Angola to Unitel, reducing its holding in BFA to 48.1%, and entering into an agreement with BFA's shareholders under which BPI was entitled to appoint two, from a maximum of fifteen, members of the Board of Directors of BFA, as well as one member of its Supervisory Board, and one member of the Risk Committee and the Remuneration Committee. BPI's stake in BFA's share capital and participation in BFA's governing bodies, although minoritary and not proportional to the share capital held, permitted to presume the existence of significant influence over BFA, in accordance with the IAS 28 provisions. Therefore, following the sale of 2% of BFA, Banco BPI classified its holding in BFA as an associate.

In December 2018, an assessment of the conditions on which the assumption of significant influence of Banco BPI over BFA in accordance with IAS 28 was based permitted to conclude that no real significant influence existed. From the main issues considered, one of the most important concerned the absence of BPI representatives in the executive body of BFA - the Executive Committee, which is the body responsible for the bank's operational management -, which determined BPI's lack of real power to participate in the financial and operating policy decisions of BFA under the terms set forth in paragraph 6 of IAS 28. BPI’s minority position in BFA’s Board of Directors, alongside a shareholder that holds control, also prevented BPI from having a real capacity to exercise significant influence in the management of BFA. In this context, the weight of BPI's participation in BFA’s financial and operating policy decisions was much curtailed relative to initial expectations, based on the past experience of shareholders’ relationship, where BPI played a key role in the management of BFA.

Taking into account that increase in experience, assessment and knowledge about the shareholder relationship of BPI in BFA, it was considered that at the end of 2018 the circumstances on which the existence of real capacity on the part of BPI to exercise significant influence over BFA was based no longer existed. In view of these circumstances, at the end of 2018, BPI considered it appropriate to limit its presence in the committees and management bodies of BFA in which it was represented, maintaining only the minority presence in the aforementioned corporate bodies of BFA. The analysis and justification for the non-existence of significant influence are provided in Note 2.1 to the 2018 annual financial statements.

In accordance with the accounting standards, the loss of significant influence entailed, in Banco BPI’s balance sheet, reclassifying the equity holding in BFA from Associate to Financial assets at fair value through other comprehensive income - Equity instruments, and its revaluation at fair value (521 935 m.euros).

The impact of the revaluation of the equity holding in BFA to Banco BPI's net income, in 2018, is as follows:

Gain on revaluation at fair value recorded in Gains or losses on derecognition of non-financial assets (Note 30)	507 418
Deferred taxes	(50 742)
Impact of reclassification of BFA on individual net income for the year 2018	**456 676**

In 2019, changes in the fair value of the equity holding in BFA were recognised in other comprehensive (Note 8).

11. TANGIBLE ASSETS

This item of assets includes the properties acquired for own use by the Bank.

On 1 January 2019, with the entry into force of IFRS 16 – “Leases”, a right of use in the amount of 89 million euros million euros was recognised (note 2A - Comparability of the information).

During the first half of 2019 no individually significant profits or losses were recorded on sales of real estate.

The investments in tangible assets made during the first half of 2019 totalled 2 803 t.euros.

Besides the impact from the application of IFRS16, there were no other relevant movements in this caption during the first half of 2019.

12. INTANGIBLE ASSETS

The investments made in the first half of 2019 totalled 9 170 t.euros, essentially concerning investment in the development of software commissioned by Banco BPI to external entities.

13. OTHER ASSETS

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Accrued income		
Fees for Allianz's profit sharing	12 730	24 436
Other accrued income	29 555	26 413
	42 285	**50 849**
Deferred expenses		
Rents	1 231	1 462
Other deferred expenses	8 269	7 742
	9 500	**9 204**
Other assets	2 807	2 906
Foreign exchange transactions pending settlement	547	3 624
Securities transactions pending settlement - stock exchange transactions	238	303
Credit operations pending settlement	165 264	283 197
Other transactions pending settlement	3 772	13 156
	172 628	**303 186**
	224 413	**363 239**

The caption 'Stock exchange transactions pending settlement' relates to the acquisition of securities for which settlement only occurred in the following month.

At 30 June 2019 and 31 December 2018, the caption 'Credit operations pending settlement' included:

- 119 157 t.euros and 224 613 t.euros, respectively, relating to securitisation operations carried out by Banco BPI (notes 8 and 15), resulting from temporary differences between settlement of the securitised loans and settlement of the liability for assets not derecognised;
- 6 711 t.euros and 26 627 t.euros, respectively, relating to taxes paid but which were challenged by Banco BPI. At the date of the financial statements there was no expected date for a decision in this regard. The main ongoing tax processes concern processes paid under Decree-Law no. 248-A/02, of 14 November, in the amount of 5 126 t.euros. The remainder (1 585 t.euros) concerns other processes prior to the merger carried out in 2002, relating to tax processes of various types; In addition, the balance at 31 December 2018 also includes 19 916 t.euros relating to Banco BPI VAT processes arising from tax inspections carried out to financial years 2004 to 2009, which was paid under Decree-Law 151-A/13 of 31 October, and was simultaneously fully provisioned for due to the uncertainty about whether this amount would be recovered. Consequently, as of the date of the financial statements, the amount of the asset and liability arising from these processes was derecognised (Note 16);
- 2 216 t.euros and 2 683 t.euros, respectively, relating to home loans pending settlement.

14. NON-CURRENT ASSETS AND LIABILITIES AND DISPOSAL GROUPS CLASSIFIED AS AVAILABLE FOR SALE

This caption is made up as follows:

	30-06-2019	31-12-2018
Assets received in settlement of defaulting loans and other tangible assets		
Buildings	44 475	51 875
Equipment	234	225
Other	61	61
Impairment	(17 826)	(18 988)
	26 944	**33 173**

The values registered in this heading are valued according to the accounting policy referred to in Notes 2.15 and 41.2 of the 2018 annual report.

The changes in assets received in settlement of defaulting loans and other tangible assets during the first semester of 2019 were as follows:

	Balance at 31-12-2018			Acquisitions and transfers	Sales and write-offs		Increase / reversals of impairment	Balance at 30-06-2019		
	Gross amount	Impairment	Net value		Gross amount	Impairment		Gross amount	Impairment	Net value
Assets received in settlement of defaulting loans										
Buildings	51 312	(18 706)	32 606	5 029	(12 328)	2 666	(1 517)	44 013	(17 557)	26 456
Equipment	226	(148)	78	186	(178)	10	(6)	234	(144)	90
Other	61	(61)						61	(61)	
Other tangible assets										
Buildings	562	(73)	489		(100)	29	(20)	462	(64)	398
	52 161	**(18 988)**	**33 173**	**5 215**	**(12 606)**	**2 705**	**(1 543)**	**44 770**	**(17 826)**	**26 944**

15. FINANCIAL LIABILITIES

The detail of the financial liabilities, except for the heading "Derivatives – Hedge Accounting", at 30 June 2019 and 31 December 2018, is as follows:

30-06-2019

	Financial liabilities held for trading	Financial liabilities at amortised cost	TOTAL
Trading derivatives	164 294		164 294
Deposits		26 066 614	26 066 614
Central Banks		1 350 100	1 350 100
Credit Institutions		1 421 955	1 421 955
Customers		23 294 559	23 294 559
Debt securities issued		1 361 622	1 361 622
Other financial liabilities		4 408 375	4 408 375
	164 294	**31 836 611**	**32 000 905**

31-12-2018

	Financial liabilities held for trading	Financial liabilities at amortised cost	TOTAL
Trading derivatives	141 335		141 335
Deposits		26 370 230	26 370 230
Central Banks		1 352 843	1 352 843
Credit Institutions		1 873 248	1 873 248
Customers		23 144 139	23 144 139
Debt securities issued		872 864	872 864
Other financial liabilities		4 658 685	4 658 685
	141 335	**31 901 779**	**32 043 114**

Financial assets at amortised cost

Deposits - Central Banks and Credit Institutions

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Deposits - Central Banks		
Deposits	1 363 830	1 363 830
Interest payable	(13 730)	(10 987)
	1 350 100	**1 352 843**
Deposits - Credit Institutions		
Loans and advances to credit institutions in Portugal		
Very short-term funds		26 201
Deposits	129 544	112 334
Other funds	270	820
Interest payable	83	112
	129 897	**139 467**
Funds of credit institutions abroad		
International financial organisations	471 186	471 052
Very short-term funds	42 957	
Deposits	308 269	568 062
Debt securities sold with repurchase agreement	458 608	663 117
Other funds	10 815	30 798
Interest payable	204	677
Commissions relating to amortised cost	19	75
	1 292 058	**1 733 781**
	1 421 955	**1 873 248**
	2 772 055	**3 226 091**

Deposits - Customers

The detail of this heading is as follows:

	30-06-2019	31-12-2018
By type		
Demand deposits	14 531 586	13 414 843
Term deposits	8 474 243	8 636 325
Saving accounts	48 648	50 199
Compulsory deposits	21 554	100 146
Debt securities sold with repurchase agreement	201 257	926 142
Interest payable	17 265	16 424
Commissions relating to amortised cost, net	6	60
	23 294 559	**23 144 139**
By sector		
Public sector	706 526	359 113
Private sector	22 588 033	22 785 026
	23 294 559	**23 144 139**

The portfolio of Customer deposits at amortised cost includes deposits designated as interest rate hedged liabilities, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to (17 200) t.euros and (3 560) t.euros, respectively.

Debt securities issued

The detail of this heading is as follows:

	30-06-2019				31-12-2018			
	Issues	Repurchased	Balance	Average interest rate	Issues	Repurchased	Balance	Average interest rate
Covered bonds	7 100 000	(6 050 000)	1 050 000	0.3%	7 100 000	(6 550 000)	550 000	0.3%
Fixed-rate bonds	12 128	(1 929)	10 199	0.4%	21 578	(3 285)	18 293	0.3%
Interest payable			291				57	
Commissions relating to amortised cost, net			(3 369)					
			1 057 121				**568 350**	
Other subordinated bonds	300 000	0	300 000	5.5%	300 000		300 000	5.5%
Interest payable			4 501				4 514	
			304 501				**304 514**	
			1 361 622				**872 864**	

The portfolio of debt issued at amortised cost includes securities designated as interest rate hedged liabilities, the fair value change of which at 30 June 2019 and 31 December 2018 amounted to (8 124) t.euros and (34) t.euros, respectively.

Issuances, repurchases and repayments of debt securities

During the first semester of 2019, Banco BPI made the following debt securities issues:

	Amount	Expiry	Interest rate
Mortgage Bonds	500 000	5 years	0.25%

In addition, during the first half of 2019, a collateralised bond issue fully repurchased in the amount of 500 000 t.euros was reimbursed, and there were other reimbursements in the amount of de 7 980 t.euros and repurchases in the amount of 114 t.euros.

In 2018, the Bank made a collateralised bond issue in the amount of 850 000 t.euros, of which 300 000 t.euros were repurchased, reimbursed covered bonds (series 11) in the amount of 200 000 t.euros and reimbursed fixed-rate bonds in the amount of 16 345 t.euros.

Other Financial Liabilities

This caption is made up as follows:

	30-06-2019	31-12-2018
Liabilities relating to assets not derecognised in securitisation operations		
Non securitised loans		
Home loans	871 870	1 174 766
Loans to SMEs	3 244 729	3 257 330
Interest payable	435	418
Commission relating to amortised cost, net	(635)	(653)
	4 116 399	**4 431 861**
Other Customer funds		
Checks and orders payable	64 977	43 473
Guaranteed rate deposits	2 651	4 820
Interest payable	25	69
Creditors and other resources		
Creditors for futures operations	10 666	13 026
Consigned resources	41 889	35 555
Captive account resources	3 945	4 747
Captive account resources	9 544	11 540
Public sector		
Tax withheld at source	15 960	14 227
Contributions to the Social Security	3 803	3 789
Other	2 740	2 740
Contributions to other healthcare systems	1 346	1 329
Creditors for factoring agreements	16 851	43 854
Creditors for the supply of goods	5 518	7 980
Subscribed but not paid-up capital in venture capital funds		
Fundo de Recuperação, FCR	8 451	8 639
Fundo InterRisco II CI	5 176	5 377
Fundo InterRisco II - Fundo de Capital de Risco	1 307	1 492
Fundo de Reestruturação Empresarial, FCR	308	661
Other funds	635	7
Sundry creditors	18 244	23 499
Usage rights (IFRS 16)	77 940	
	291 976	**226 824**
	4 408 375	**4 658 685**

At 1 January 2019 IFRS 16 - "Leases" entered into force, which implied an increase of 89 million euros under "Other Financial Liabilities" (Note 2.B - Comparability).

16. PROVISIONS AND CONTINGENT LIABILITIES

The detail of this heading is as follows:

	30-06-2019	31-12-2018
Pending legal issues and tax litigation		
VAT Recovery processes (2003 to 2016)	9 795	29 711
Tax contingencies and other	12 655	12 534
Impairment and provisions for guarantees and commitments	20 689	23 212
	43 139	**65 457**

The movement in provisions during the first semester of 2019 was as follows:

	Balance at 31-12-2018	Increases	Decreases / Reversals	Amounts used	Balance at 30-06-2019
Pending legal issues and tax litigation	42 245	244	(111)	(19 928)	22 450
Commitments and guarantees given	23 212	704	(3 227)		20 689
	65 457	**948**	**(3 338)**	**(19 928)**	**43 139**

At 31 December 2018 the balance of provisions for pending legal issues and tax litigation included 19 916 t.euros in provisions for processes related to Banco BPI VAT arising from tax inspections carried out to financial years 2004 to 2009, which was paid under Decree-Law 151-A/13 of 31 October, and was simultaneously recognised under assets. In the first half of 2019 the Bank used these provisions and simultaneously derecognised the assets relating to those processes (Note 13).

Contingent liabilities

Competition Authority

In 2012, the Portuguese Competition Authority (CA), under the powers legally attributed to it, opened administrative infraction proceedings against 15 banks operating in the Portuguese market, including BPI, due to alleged competition restrictive practices. On 1 June 2015 Banco BPI was served the corresponding notice of illicit act. On 27 September 2017 the Bank presented its defence. During the process, and whenever appropriate, Banco BPI appealed against several interlocutory rulings issued by the Competition Authority, which the Bank considered as susceptible of violating its rights.

On 9 September 2019, the CA notified BPI and the other banks of its ruling whereby they had been found guilty. The penalty imposed on BPI was 30 million euros.

In its ruling, the CA:

a) Accuses BPI, as well as the other banks, of having engaged in exchanges of information during the period from May 2002 to March 2013 concerning (i) mortgage loan and consumer loan production volumes, and (ii) the commercial conditions for these types of loans and for loans to small businesses and SME, including spread tables;
b) Considers that such an exchange constitutes an infringement by object, i.e., an infringement which is deemed to have been committed irrespective of whether or not the conduct in question had negative effects on the competition, and therefore it is not necessary to prove such effects; in other words, for the infringement to be deemed as committed, it is sufficient to prove that the conduct is, in the abstract, capable of having adverse effects on competition.

Banco BPI argues that it did not commit the infringement of which it was accused by the CA, and will appeal from the aforementioned decision to the Competition, Regulation and Supervision Court, from where the appeal will be filed with the Lisbon Court of Appeal.

In addition to disputing that the exchange of information took place in the manner alleged in the decision imposing the sanction, BPI considers that the information allegedly exchanged, either on account of its form and the time at which such exchange occurred, or on account of its content, was not capable of producing negative effects on the competition, there being no grounds for the assumptions on which the existence of an infringement by object, and therefore the decision imposing the sanction, were based. It is also the understanding of BPI that the alleged exchange of information did not have any negative effects on the market or on consumers, but on the contrary, at least in part, that it had pro-competitive effects.

Based on this framework of non-existent grounds for the decision and sentencing to be maintained by a final court ruling, and supported by the substantiated opinion of external legal consultants, the Executive Committee of the Bank's Board of Directors believes that the probabilities of the process ending without the Bank having to pay a fine are higher than the reverse occurring, and therefore no provision for this process has been recognised in the Bank's financial statements as at 30 June 2019.

National Resolution Fund

There has been no change relative to the information published in Note 23. Provisions and contingent liabilities of the 2018 Annual Report.

17. OTHER LIABILITIES

This caption is made up as follows:

	30-06-2019	31-12-2018
Liabilities for pensions and other benefits		
Pension fund assets (Note 18)	(1 757 935)	(1 646 111)
Past service liabilities (Note 18)	1 836 765	1 678 366
	78 830	**32 255**
Expenses payable		
Staff Expenses	63 221	78 903
Other administrative expenses	35 273	62 659
Special tax on banks	7 799	15 181
Other	2 278	1 336
	108 571	**158 079**
Deferred income		
From guarantees given and other contingent liabilities	1 731	1 940
Other	73	118
	1 804	**2 058**
Other adjustment accounts		
Liabilities pending settlement	78 074	110 311
Other transactions pending settlement	210 966	210 495
	289 040	**320 806**
	478 245	**513 198**

At 30 June 2019 and 31 December 2018, the caption “Liabilities pending settlement” included:

- 3 144 t.euros and 66 641 t.euros, respectively, relating to transactions with loan securitisation funds;
- 21 767 t.euros and 24 501 t.euros, respectively, relating to ATM transactions pending settlement;
- 23 862 t.euros and 7 184 t.euros, respectively, relating to transactions with SIBS pending settlement;

At 30 June 2019 and 31 December 2018, the caption “Other transactions pending settlement” included 182 054 t.euros and 189 072 t.euros, respectively, relating to transfers under SEPA (Single Euro Payment Area).

18. LIABILITIES FOR PENSIONS AND OTHER BENEFITS

Past service liabilities for Pensioners, Employees and Directors that are, or have been, at the service of BPI, are calculated in accordance with IAS 19.

Benefits established by BPI are defined benefits based on the last salary earned and length of service, providing for the payment of benefits in the event of retirement due to old age or disability, death and end-of-career bonuses. The rules used to calculate these benefits are mainly drawn from the provisions of the Collective Labour Agreement for the Portuguese Banking Sector. There is also a restricted group of management staff that is covered by a supplementary defined benefit pension plan, based on the last salary earned and length of service.

With the publication of Decree-Law no. 1-A / 2011 of 3 January, from 1 January 2011 all banking sector employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme, being henceforth covered by this scheme for old-age pensions as well as for maternity, paternity and adoption allowances, which the Bank ceased to support. Given the complementary nature of the scheme under the rules of the Collective Labour Agreement for the Portuguese Banking Sector ("ACT"), the Bank continues to cover the difference relative to the amount of the benefits paid under the General Social Security Regime for the eventualities covered and the benefits established in the ACT.

Following the instructions of the National Council of Financial Supervisors (Conselho Nacional dos Supervisores Financeiros), the amount of past service liabilities remained unchanged at 31 December 2010. Current service cost decreased as from 2011 and the Bank became subject to the Single Social Tax (Taxa Social Única - TSU) at the rate of 23.6%.

Disability and survivor pensions and sick leave for these Employees continue to be the Bank's responsibility.

Decree-Law 127 2011 of 31 December established the transfer to the Social Security of liabilities for retirement and survivor pensions of retired personnel and pensioners that were in that situation at 31 December 2011 and were covered by the substitute social security regime included in the collective labour regulations instrument in force for the banking sector (Pillar 1), as well as the transfer to the Portuguese State of the corresponding pension fund assets covering these liabilities. Since the transfer to the Social Security corresponded to a settlement, extinguishing the corresponding liability of Banco BPI, the negative difference (99 177 t.euros) between the amount of the pension fund assets transferred to the Portuguese State and the amount of the liability transferred based on actuarial assumptions used by Banco BPI was fully recognised as a cost in 2011/12. For tax purposes, this cost is recognised over a period of 18 years.

Through its pension fund, Banco BPI retains the liability for payment of (i) the amount of updates to the pensions mentioned above, according to the criteria set out in the ACT; (ii) the complementary benefits to the retirement and survivor pensions assumed by the ACT; (iii) the fixed contribution to the Social and Medical Support Services (SAMS); (iv) death allowance; (v) survivor pensions to children and surviving spouse related to the same Employee and (vi) survivor pension due to the family of a retired Employee, in which the conditions for being granted occurred as from 1 January 2012.

BPI Vida e Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liabilities, as well as for managing the respective Pension Funds.

The "Projected Unit Credit" method was used to calculate the normal cost and past service liabilities due to old age, and the "Single Successive Premiums" method was used to calculate the cost of the disability and survivor benefits.

The commitments assumed in the regulations of Banco BPI Pension Plans are funded by Pension Funds and therefore Banco BPI is exposed to risks resulting from the valuation of the liabilities and the value of the related pension funds. The Pension Funds of Banco BPI are disclosed in Note 33.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice no. 4/2005, which establishes the requirement to fully fund (100%) pensions under payment and a minimum of 95% of the past service liability for current personnel.

The main actuarial assumptions used to calculate the pension liabilities of Employees are as follows:

	30-06-2019	31-12-2018
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions		
Discount rate		
Start of the period	2.0%	2.0%
End of the period	1.5%	2.0%
Pensionable salaries growth rate [2]	1.0%	1.0%
Pensions growth rate	0.5%	0.5%

[1] Life expectancy considered for women was 3 years longer than considered in the mortality table used.

[2] The mandatory promotions under the current ACT and the projected seniority payments are considered separately, i.e., directly in the estimate of salaries evolution, corresponding to an increase of approximately 0.5%.

The past service liabilities for Pensioners and Employees of BPI and respective coverage by the Pension Fund present the following composition:

	30-06-2019	31-12-2018
Total past service liabilities	(1 784 868)	(1 629 103)
Net assets of the Pension Fund	1 707 777	1 602 146
Contributions to be transferred to the Pension Fund		5 400
Coverage surplus/(shortfall)	(77 091)	(21 557)
Coverage ratio of liabilities	96%	99%

The return of the pension fund in the first half of 2019 was 7.9% (non-annualised). The return of the pension fund in the period benefited from the value increase of the portfolio of fixed-rate bonds as a result of the decrease in market interest rates.

The movement in deviations during the first semester of 2019 was as follows:

Amount at 31-12-2018	**(207 663)**
Deviation in pension funds return	111 438
Changing financial and demographic assumptions	
Change in discount rate	(157 641)
Deviation in pensions paid	(1 041)
Other deviations	(9 315)
Amount at 30-06-2019	**(264 222)**

The Members of the Executive Committee of the Board of Directors of Banco BPI, S.A. benefit from a supplementary retirement and survivor pension plan, the funding coverage of which is ensured through a pension fund.

The main actuarial assumptions used to calculate the pension liabilities of Board members are as follows:

	30-06-2019	31-12-2018
Demographic assumptions:		
Mortality Table	TV 88/90-H TV 88/90-M - 3 years [1]	TV 88/90-H TV 88/90-M - 3 years [1]
Disability table	EKV 80	EKV 80
Staff turnover	0%	0%
Decreases	By mortality	By mortality
Financial assumptions		
Discount rate		
Start of the period	2.0%	2.0%
End of the period	1.5%	2.0%
Pensionable salaries growth rate	0.5%	0.5%
Pensions growth rates [2]	0.5%	0.5%

[1] Life expectancy considered for women was 3 years longer than considered in the mortality table used.

[2] Rate of increase corresponds to Consumer Price Index rate of change, as per the pension plan rules.

The past service liabilities for Board members and respective coverage by the Pension Fund present the following composition:

	30-06-2019	31-12-2018
Total past service liabilities	(51 897)	(49 263)
Net assets of the Pension Fund	50 158	43 965
Contributions to be transferred to the Pension Fund		4 739
Coverage surplus/(shortfall)	(1 739)	(559)
Coverage ratio of liabilities	97%	99%

In the first semester of 2019, the return of the pension fund was 5.8% (not annualized).

The changes in actuarial deviations during the first half of 2019 were as follows:

Amount at 31-12-2018	**(15 877)**
Deviation in pension funds return	2 109
Change in financial and demographic assumptions	
Change in discount rate	(3 086)
Deviation in pensions paid	185
Other deviations	(123)
Amount at 30-06-2019	**(16 792)**

19. SHAREHOLDERS' EQUITY

Capital

At 30 June 2019 and 2018 Banco BPI's share capital was 1 293 063 t.euros, represented by 1 456 924 237 ordinary dematerialised registered shares with no nominal value.

Other equity instruments and treasury shares

This caption has the following composition:

	30-06-2019	31-12-2018
Other equity		
Cost of shares to be made available to Group Employees		322
	0	**322**

The caption 'Other equity' includes the accrued costs of the share-based variable remuneration program (RVA) relating to shares to be made available.

From 2018 onwards, and with reference to the 2017 variable remuneration program, in accordance with the Remuneration Policies approved for the members of the Board of Directors and members of the Identified Collective, any payments in equity instruments will be made, preferably, in CaixaBank shares.

In 2017 and 2018, considering the process of acquisition of the entire share capital of Banco BPI by CaixaBank and the impossibility of delivering BPI shares, all previous years' programs involving Banco BPI shares and options were concluded.

Accumulated other comprehensive income

The main movements in Accumulated other comprehensive income are shown in detail in the tables of the interim individual statements of profit and loss and other comprehensive income.

Retained earnings and other reserves

This caption is made up as follows:

	30-06-2019	31-12-2018
Retained earnings		
Legal reserve	244 789	153 358
Other reserves and retained earnings	1 597 480	942 157
Profit/(loss) generated on change of accounting policies	0	(27 556)
	1 842 269	**1 067 959**
Other reserves		
Merger reserve	2 530	2 530
	2 530	**2 530**

In accordance with Article 97 of the General Law on Credit Institutions and Financial Companies, approved by Decree-Law no. 298/92 of 31 December and amended by Decree-Law no. 201/2002 of 26 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

20. TAX POSITION

Tax assets and liabilities

The breakdown of tax assets and liabilities is as follows:

Tax assets

	30-06-2019	31-12-2018
Current tax assets	4 484	3 237
Recoverable VAT	15 984	20 049
Deferred tax assets	309 835	326 963
	330 303	**350 249**

Tax liabilities

	30-06-2019	31-12-2018
Current tax liabilities	2 804	2 211
Deferred tax liabilities	55 053	54 165
	57 857	**56 376**

Deferred tax assets and liabilities

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax losses carried forward and tax credits are also recognised as deferred tax assets.

In accordance with IAS 12, deferred tax assets and liabilities are recognised to the extent that it is probable that taxable profits will be available in the future against which they can be utilised. Accordingly, Banco BPI prepared future taxable income projections to support the deferred tax assets accounted for.

Deferred tax assets and liabilities were measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability settled.

The breakdown of deferred tax assets in 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Tax losses	19 609	19 609
Application of Art. 4 of the regime set forth in Law 61/2014	5 460	5 170
Taxed provisions and impairments	166 232	179 741
Tax deferral of the impact of the partial transfer of pension liabilities to the Social Security	15 872	16 628
Early retirement	29 211	32 982
Actuarial deviations	66 720	66 837
Other	6 731	5 996
	309 835	**326 963**

At 30 June 2019 the amount of deferred tax assets generated until 2015 that could benefit from the Special regime approved by Law no. 61/2014 of 26 August was 108 728 t.euros.

The breakdown of deferred tax liabilities in 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Financial instruments at fair value	54 801	53 904
Other	252	261
	55 053	**54 165**

At 30 June 2019, the caption Financial instruments at fair value included 48 643 t.euros in deferred tax liabilities associated with the unrealised capital gain in BFA.

Profits distributed to Banco BPI by subsidiaries and associated companies are not taxed in Banco BPI as a result of application of the regime established in article 51 of the Corporate Income Tax Code, which provides for the elimination of double taxation of profits distributed.

In this context, Banco BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in associated companies, since the stake held by BPI is higher than 10% and has been held for more than one year, which enables it to be considered in the Participation Exemption regime, except for Banco Comercial e de Investimentos, in which the deferred tax liabilities relating to taxation in Mozambique of all the distributable profits are recognised.

BPI does not recognise deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries as it is unlikely that such differences will be reversed in the foreseeable future.

21. OFF BALANCE SHEET ITEMS

This caption is made up as follows:

	30-06-2019	31-12-2018
Loan commitments given		
Irrevocable credit lines	165	161
Securities subscribed	432 622	475 233
Revocable commitments	2 231 585	2 125 407
	2 664 372	**2 600 801**
Financial guarantees given		
Financial guarantees and sureties	231 802	241 367
Financial standby letters of credit	6 953	7 280
Documentary credits	157 578	192 339
	396 333	**440 986**
Other commitments given		
Non-financial guarantees and sureties	1 177 749	1 172 164
Non-financial standby letters of credit	18 648	25 475
Term liabilities for annual contributions to the Deposit Guarantee Fund	38 714	38 714
Term liabilities for annual contributions to the Resolution Fund	8 713	6 715
Potential liability to the Investor Compensation Scheme	10 925	11 639
Other irrevocable commitments	979	732
	1 255 728	**1 255 439**
	4 316 433	**4 297 226**
Assets pledged as collateral		
European System of Central Banks	7 546 673	7 939 263
Deposit Guarantee Fund	45 229	43 341
Investors Compensation Scheme	5 841	5 926
European Investment Bank	618 783	619 956
Reports	669 872	1 604 613
Other collateral	33	53
	8 886 431	**10 213 152**

The breakdown by stage of the exposure and impairment in guarantees and commitments at 30 June 2019 is as follows:

	Exposure				**Impairments**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments given	2 604 705	55 522	4 145	2 664 372	33	2	6	41
Financial guarantees given	392 149	3 069	1 115	396 333	348	217	606	1 171
Other commitments given	1 107 608	55 081	93 039	1 255 728	313	520	18 645	19 478
	4 104 462	113 672	98 299	4 316 433	694	739	19 257	20 690

The breakdown by stage of the exposure and impairment in guarantees and commitments at 31 December 2018 is as follows:

	Exposure				**Impairments**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan commitments given	2 561 997	34 174	4 630	2 600 801	57	1	7	65
Financial guarantees given	436 867	3 240	879	440 986	402	36	549	987
Other commitments given	1 106 664	53 153	95 622	1 255 439	296	457	21 407	22 160
	4 105 528	90 567	101 131	4 297 226	755	494	21 963	23 212

22. NET INTEREST INCOME

This caption is made up as follows:

	30-06-2019	30-06-2018
Interest income		
Financial assets held for trading	25 173	20 360
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	2 339	2 629
Financial assets at fair value through other comprehensive income	5 761	6 309
Financial assets at amortised cost		
Debt securities	17 439	16 481
Loans and advances - central banks and other credit institutions	5 600	3 917
Loans and advances - Customers	194 008	186 305
Derivatives - Hedge accounting, interest rate risk	5 837	671
Interest on demand deposits at Banco de Portugal	(3 055)	
Other assets	707	2 736
Interest income on liabilities	2 694	1 209
Commissions received relating to amortised cost	11 132	10 118
	267 635	**250 735**
Interest expense		
Financial liabilities held for trading	(12 307)	(10 006)
Financial liabilities at amortised cost		
Deposits - Credit Institutions	(3 399)	(2 207)
Deposits - Customers	(12 098)	(9 647)
Debt securities issued	(12 425)	(10 683)
Derivatives - Hedge accounting, interest rate risk	(7 089)	(5 768)
Other liabilities	(2 027)	(1 689)
Commissions paid relating to amortised cost	(216)	(118)
	(49 561)	**(40 118)**
Net interest income	**218 074**	**210 617**

23. DIVIDEND INCOME

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Financial assets at fair value through other comprehensive income		
Banco de Fomento Angola, S.A.	45 997	
SIBS - Sociedade Interbancária de Serviços	1 573	1 116
Other	588	78
Investments in joint ventures and associates		
Banco de Fomento Angola, S.A.		47 834
BPI Suisse		8 699
Companhia de Seguros Allianz Portugal, S.A.		5 952
Banco Comercial e de Investimentos, S.A.	5 078	
Cosec - Companhia de Seguros de Crédito, S.A.	2 752	3 974
Unicre - Instituição Financeira de Crédito, S.A.	5 000	3 320
	60 988	**70 973**

24. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Fee and commission income		
On guarantees provided	6 820	6 878
On commitments to third parties	1 297	2 044
On other banking services provided	114 511	125 981
On operations performed on behalf of third parties	5 522	5 754
Other	250	195
Refund of expenses	2 200	5 644
Income from provision of sundry services	4 633	4 430
	135 233	**150 926**
Fee and commission expenses		
For guarantees received	(24)	(20)
On financial instruments transactions	(186)	(131)
On banking services provided by third parties	(6 017)	(17 929)
On operations performed by third parties	(1 419)	(1 963)
Commission-equivalent expenses	(3 133)	(3 350)
Other	(1 158)	(292)
	(11 937)	**(23 685)**

The reduction in fee and commission income and fee and commission expenses in the first half of 2019, compared to the first half of 2018, is in part explained by the effect of the sale of the cards, acquiring and investment banking businesses, estimated in -18 million euros.

25. GAINS / (LOSSES) OF FINANCIAL ASSETS AND LIABILITIES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**3 619**	**(89)**
Financial assets at fair value through other comprehensive income		
Debt securities		416
Financial assets at amortised cost		
Debt securities	3 612	(514)
Financial liabilities at amortised cost	6	8
Other	1	1
Gains/(losses) on financial assets and liabilities held for trading, net	**(817)**	**26 189**
Financial assets held for trading		
Trading derivatives	(10 583)	31 965
Debt securities	1 179	189
Equity instruments	8 587	(5 965)
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	**(6 847)**	**59 989**
Debt securities	1 896	(1 898)
Equity instruments	(8 743)	61 887
Gains/(losses) from hedge accounting (net)	**971**	**425**
Hedging derivatives (Note 9)	(5 729)	8 846
Hedged items (Note 9)	6 700	(8 421)
Exchange differences (gain/loss), net	**1 275**	**(16 575)**
	(1 799)	**69 939**

At 30 June 2019 and 2018, the caption "Gains / (losses) on financial assets and liabilities held for trading - Hedging derivatives" included:

- (8 680) t.euros and 5 472 t.euros, respectively, concerning equity swaps contracted with Customers, which are hedged through a portfolio of equities, in the caption "Gains / (losses) on financial assets and liabilities held for trading - Equity instruments";
- (2 213) t.euros and 8 486 t.euros, respectively, in gains and losses on the revaluation of CVAs (Credit Valuation Adjustments) in derivatives contracted with Customers;
- 17 163 t.euros on 30 June 2018 in gains/(losses) on derivatives to hedge foreign exchange risk.

At 30 June 2018, gains/(losses) on equity instruments not designated for trading compulsorily measured at fair value through profit or loss, included 59 581 t.euros relating to the sale of the equity holding in Viacer - Sociedade Gestora de Participações Sociais, Lda.

26. OTHER OPERATING INCOME AND EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018 Restated
Other operating income		
Service provision agreements with CaixaBank Group companies	6 591	2 390
Gains on finance leases	9 986	6 356
Other operating income	1 806	2 699
	18 383	**11 445**
Other operating expenses		
Subscriptions and donations	(659)	(1 350)
Contributions to the Deposit Guarantee Fund	(34)	(34)
Contribution to the Resolution Fund	(6 968)	(5 450)
Contributions to the Single Resolution Fund	(11 321)	(11 760)
Contribution to the Investor Compensation Scheme	(5)	(5)
Losses on finance leases	(9 552)	(6 103)
Other operating expenses	(1 016)	(512)
Indirect taxes	(1 055)	(1 256)
Direct taxes	(5 340)	(5 274)
	(35 950)	**(31 744)**

As of 30 June 2019, the direct taxes caption includes 4 600 t.euros relating to dividend taxes paid by BFA in Angola.

27. STAFF EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Staff expenses		
Remuneration	(93 793)	(89 970)
End-of-career bonus	(291)	(233)
Other mandatory social costs	(25 712)	(25 278)
Pension costs		
Current service cost	2 942	2 477
Interest cost relating to the liabilities	(15 592)	(16 322)
Income on plan assets computed based on the discount rate	15 295	16 459
Other	(138)	(218)
Other staff costs	(2 400)	(1 229)
	(119 689)	**(114 314)**
Costs with early retirements and terminations		
Early retirements	1	(3 353)
Voluntary terminations	(17)	(3 827)
	(16)	**(7 180)**
	(119 705)	**(121 494)**

28. OTHER ADMINISTRATIVE EXPENSES

The detail of this heading is as follows:

	30-06-2019	30-06-2018
General administrative expenses		
Supplies		
Water, energy and fuel	(3 501)	(3 374)
Consumables	(938)	(917)
Other	(235)	(129)
Services		
Rents and leases	(5 267)	(19 956)
Communications and IT	(21 883)	(17 373)
Travel, lodging and representation	(1 912)	(2 047)
Advertising and publishing	(4 780)	(6 478)
Maintenance and repairs	(5 745)	(6 984)
Insurance	(787)	(919)
Fees	(1 234)	(1 726)
Legal expenses	(1 801)	(2 508)
Security and cleaning	(2 373)	(2 062)
Information services	(1 317)	(1 472)
Temporary labour	(225)	(1 122)
Studies, consultancy and auditing	(7 352)	(3 608)
SIBS	(1 674)	(1 625)
Other	(13 747)	(9 703)
	(74 771)	**(82 003)**

At 30 June 2019 and 2018 the caption Rents and leases included 313 t.euros and 18 763 t.euros, respectively, concerning rents paid for buildings and commercial spaces used by the Bank. Following the coming into force of IFRS16, costs with real estate lease agreements are now recognised as the amortisation of the right-of-use, in the income statement captions Depreciation and amortisation and Interest expense, amounting to 12 159 t.euros and 505 t.euros, respectively.

29. IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of this heading is as follows:

	30-06-2019	30-06-2018
Financial assets at amortised cost		
Loans and advances		
Net allowances		
Credit Institutions	269	(168)
Customers	2 067	6 728
Recovery of loans written off from assets	5 933	6 967
Debt securities		
Net allowances	66	63
	8 335	**13 590**

30. GAINS / (LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS

The detail of this heading is as follows:

	30-06-2019	30-06-2018 Restated
Gains in non-financial assets		
Gains in other tangible assets		42
		42
Losses in non-financial assets		
Losses in other tangible assets	(1 476)	(1 848)
	(1 476)	**(1 848)**
	(1 476)	**(1 806)**

31. PROFIT/(LOSS) FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS

This caption is made up as follows:

	30-06-2019	30-06-2018 Restated
Profit/(loss) on assets received in settlement of defaulting loans		
Properties	1 313	1 726
Equipment	(14)	(6)
Impairments on assets received in settlement of defaulting loans		
Properties	(1 518)	(959)
Equipment	(6)	(19)
Impairments on other tangible assets		
Properties	(20)	(37)
Other profit/(loss)	242	243
	(3)	**948**

32. PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS

During the first semester of 2018, the realized gains on sale of BPI Gestão de Activos and BPI GIF, were included in the income statement caption ''Profit/(loss) after tax from discontinued operations'', broken down as follows:

	30-06-2018
BPI Gestão de Activos	69 808
BPI GIF	7 850
	77 658

33. RELATED PARTIES

In accordance with IAS 24, the entities considered to be related to Banco BPI are:

- those in which the Bank has direct or indirect significant influence over their management and financial policies – Associated companies and jointly controlled entities and pension funds;
- those that have direct or indirect significant influence over the management and financial policies of the Bank – Shareholders, this is presumed to happen when the equity holding is greater than 20%;
- the members of the key management personnel of Banco BPI, such being considered for this purpose the executive and non-executive members of the Board of Directors and individual persons and companies related with them.

In accordance with these criteria, BPI's related parties at 30 June 2019 were the following:

Name of related entity	Registered office	Effective holding	Direct holding
Shareholders of Banco BPI			
Caixa Bank Group	Spain	100.0%	
Associated and jointly controlled entities of Banco BPI			
Banco Português Investimento, S.A.	Portugal	100.0%	100.0%
BPI Incorporated	USA	100.0%	100.0%
BPI Madeira SGPS	Portugal	100.0%	100.0%
BPI Private Equity – Sociedade de Capital de Risco, S.A.	Portugal	100.0%	100.0%
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	49.0%	
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	35.7%	35.7%
Companhia de Seguros Allianz Portugal, SA	Portugal	35.0%	35.0%
Cosec - Companhia de Seguros de Crédito, SA	Portugal	50.0%	50.0%
BPI (Suisse), S.A.	Switzerland	100.0%	100.0%
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	21.0%	21.0%
Members of the Board of Directors of Banco BPI			
Fernando Ulrich			
Pablo Forero			
António Lobo Xavier			
Alexandre Lucena e Vale			
António Farinha Morais			
António José Cabral			
Cristina Rios Amorim			
Fátima Barros			
Francisco Barbeira			
Gonzalo Gortázar Rotaeche			
Ignacio Alvarez-Rendueles			
Javier Pano Riera			
João Pedro Oliveira e Costa			
José Pena do Amaral			
Lluís Vendrell			
Natividad Capela			
Pedro Barreto			
Tomás Jervell			
Pension Funds of BPI Employees			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	7.7%	
Fundo de Pensões Aberto BPI Valorização	Portugal	31.3%	
Fundo de Pensões Aberto BPI Segurança	Portugal	21.5%	
Fundo de Pensões Aberto BPI Garantia	Portugal	7.6%	

At 30 June 2019 the total amount of assets, liabilities and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI's Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	9				936
Financial assets held for trading	16 151				
Financial assets not designated for trading compulsorily measured at fair value through profit or loss - equity instruments	991				
Financial assets at fair value through other comprehensive income - equity instruments	648				50 025
Financial assets at amortised cost					
Debt securities					90 089
Loans and advances - central banks and credit institutions		18 634			
Loans and advances - Customers	175 566			3 056	45 717
Investments in joint ventures and associates		302 490			
Derivatives - Hedge accounting	6 946				
Tangible assets	247				
Intangible assets	11 362				
Other assets	20 221	12 730			
	232 141	**333 854**		**3 056**	**186 767**
Liabilities					
Financial liabilities held for trading	15 628				
Financial liabilities at amortised cost					
Deposits - Customers	357 988	213 624	96 664	7 124	11 321
Deposits - Credit Institutions	5 646	25 479			30
Debt securities issued	304 501				
Other financial liabilities	4	(3)		24	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	57				
Provisions - Commitments and guarantees given					3
Other liabilities	945				
	684 769	**239 100**	**96 664**	**7 148**	**11 354**
Shareholders' equity					
Fair value changes of equity instruments measured at fair value through other comprehensive income					
Off-balance sheet items					
Guarantees given and other contingent liabilities					
Guarantees and sureties	341	14 963	60	3	3 892
Guarantees received				90	1 055
Commitments to third parties					
Revocable commitments	56 725	5 000		36	29 570
Liabilities for services provided					
Deposit and safekeeping of valuables	6 228 386	1 173 995	1 717 668	2 888	125 272
Other	37 663				
Services provided by third parties		79 275			
Foreign exchange transactions and derivative instruments					
Purchase	1 283 523				
Sale	(1 113 048)				
Written-off loans					200
	6 493 590	**1 273 233**	**1 717 728**	**3 017**	**159 989**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 31 December 2018 the total amount of assets, liabilities and off-balance sheet commitments relating to transactions with associated and jointly controlled companies, pension funds of BPI's Employees, Shareholders of Banco BPI, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Assets					
Cash and cash balances at central banks and other demand deposits	7 655				
Financial assets held for trading	3 547				
Financial assets at fair value through other comprehensive income - equity instruments	618				50 000
Financial assets at amortised cost					
Debt securities					55 106
Loans and advances - central banks and credit institutions	94	24 816			
Loans and advances - Customers	200 661			7 319	50 756
Derivatives - Hedge accounting	3 312				
Investments in joint ventures and associates		302 380			
Tangible assets	167				
Intangible assets	12 728				
Other assets	15 574	24 436			
Non-current assets and disposal groups classified as held for sale					
	244 356	**351 632**		**7 319**	**155 862**
Liabilities					
Financial liabilities held for trading	1 421				
Financial liabilities at amortised cost					
Deposits - Customers	623 990	203 742	90 690	6 604	22 606
Deposits - Credit Institutions	14 485	21 068			
Debt securities issued	304 514				
Other financial liabilities	3	97		24	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	86				
Provisions - Commitments and guarantees given					1
Other liabilities		120			
	944 499	**225 027**	**90 690**	**6 628**	**22 607**
Shareholders' equity					
Fair value changes of equity instruments measured at fair value through other comprehensive income	(188)				
	(188)				
Off-balance sheet items					
Guarantees given and other contingent liabilities					
Guarantees and sureties	341	14 930	60	3	3 509
Guarantees received				2 298	1 783
Commitments to third parties					
Revocable commitments	225	5 006		53	27 558
Irrevocable commitments					10 000
Liabilities for services provided					
Deposit and safekeeping of valuables	5 817 006	1 114 160	1 598 194	6 754	38 584
Other					2 500
Services provided by third parties		79 320			
Foreign exchange transactions and derivative instruments					
Purchase	997 170	84			
Sale	(751 779)	(84)			
Written-off loans					200
	6 062 963	**1 213 416**	**1 598 254**	**9 108**	**84 134**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 30 June 2019, the total amount of results relating to transactions with Banco BPI Shareholders, associated and jointly controlled companies, pension funds of BPI's Employees, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Results					
Net interest income	(4)	30	(118)	(2)	246
Dividend income		12 830			1 573
Fee and commission income	21 266	26 362	5	2	3
Fee and commission expenses	(1 437)	(73)			
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	36				
Gains/(losses) from hedge accounting, net	28				
Other operating income	6 930				
Administrative expenses - Other administrative expenses	(2 130)	(506)	(6 360)		
Depreciation	(2 498)				
Provisions or reversal of provisions - Commitments and guarantees given					(2)
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss				6	(14)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	230				
	22 421	**38 643**	**(6 473)**	**6**	**1 806**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

At 30 June 2018, the total amount of results relating to transactions with Banco BPI Shareholders, associated and jointly controlled companies, pension funds of BPI's Employees, members of the Board of Directors and companies in which these hold significant influence, were broken down as follows:

	Shareholders of Banco BPI [1]	Associated and jointly controlled entities	Pension Funds of BPI Employees	Members of the Board of Directors of Banco BPI	Companies in which the Members of the Board of Directors of Banco BPI have significant influence [2]
Results					
Net interest income	(4 595)	(1 607)	(395)	(2)	245
Dividend income		69 778			1 116
Fee and commission income	17 272	25 723	207	1	2
Fee and commission expense		(738)			
Gains/(losses) from hedge accounting, net	105				
Other operating income	2 446	30			
Administrative expenses - Other administrative expenses	(1 015)	(503)	(7 475)		
Provisions or reversa of provisions - Commitments and guarantees given		20			79
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss	2			9	246
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	230				
Profit/(loss) before tax from discontinued operations	77 658				
	92 103	**92 703**	**(7 663)**	**8**	**1 688**

[1] Includes CaixaBank Group and the companies which it controls.

[2] Includes the companies in which the Members of the Board of Directors have significant influence, not included in other categories.

34. WORKFORCE AND COMMERCIAL UNITS

In the periods of six months ended at 30 June 2019 and 30 June 2018 the average headcount was broken down as follows:

	30-06-2019		30-06-2018	
	Men	**Women**	**Men**	**Women**
Directors[1]	8		8	
Senior management	249	134	263	142
Other management staff	1 769	2 438	1 679	2 256
Other employees	94	136	208	310
	2 120	**2 708**	**2 158**	**2 708**

[1] Executive Directors of Banco BPI.

The headcount at 30 June 2019 and 30 June 2018 was broken down as follows:

	30-06-2019		30-06-2018	
	Men	**Women**	**Men**	**Women**
Directors[1]	8		8	
Senior management	246	133	268	145
Other management staff	1 770	2 445	1 680	2 262
Other employees	92	136	192	287
	2 116	**2 714**	**2 148**	**2 694**

[1] Executive Directors of Banco BPI.

At 30 June 2019 and 31 December 2018 the commercial units were broken down as follows:

	30-06-2019	31-12-2018
Activity in Portugal	**486**	**495**
Branches	413	422
Premier centres	37	39
Corporate Centres	36	34
	486	**495**

35. INFORMATION ON FAIR VALUE

The fair value of financial instruments is estimated, whenever possible, on the basis of prices in an active market. A market is considered active, and therefore liquid, when it is accessed by equally knowledgeable counterparties and where transactions are carried out on a regular basis. For financial instruments for which there is no active market, due to lack of liquidity or regular transactions, valuation methods and techniques are used to estimate fair value.

35.1. Fair value on financial instruments

Financial instruments on the balance sheet at fair value are classified into levels using the hierarchy defined in IFRS 13.

Debt securities and equity instruments

- **Level 1:** This category includes, in addition to financial instruments listed on regulated markets, bonds and participating units in harmonised funds, valued based on prices / quotations in active markets, published in trading platforms, taking into account also the liquidity and quality of the prices.

  The classification of fair value in level 1 is made automatically by SIVA ("Asset Valuation Integrated System") whenever the financial instruments are traded in an active market, considering, for this purpose, that this is the case when:

  (i) financial instruments are priced daily by at least 6 contributors, at least three of them with firm offers, or there is a multi-contributed price (price formed by several firm offers from contributors available in the market) (active market), or;
  (ii) such financial instruments have been classified as level 1, in accordance with the rule referred to in the preceding paragraph, in at least 50% of the last 30 calendar days.

  For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 2:** Financial instruments that have not been traded on an active market or that are valued by reference to valuation techniques based on market data for financial instruments having the same or similar characteristics in accordance with the rules referred to below are considered as level 2. Level 2 fair value classification is determined automatically by SIVA in accordance with the following rules:

  a) Financial instruments are classified daily in Level 2 if they are:

  (i) Quoted by less than 6 contributors, regardless of the type of price, or;
  (ii) valued based on models using inputs which are mainly observable in the market (such as interest rate curves or exchange rates), or;
  (iii) valued based on third party indicative purchase prices, based on observable market data, and
  (iv) have been classified as level 1 and level 2, in accordance with the rules mentioned above, in at least 50% of the last 30 calendar days.

  b) For financial instruments that do not have a history in the 30 days calendar available in the system, allocation of fair value level will be carried out taking into account the history available in SIVA.

- **Level 3:** Financial instruments are classified as Level 3 when they do not meet the criteria to be classified as Level 1 or Level 2, or if their value is the result of inputs not based on observable market data, namely:

  a) financial instruments not admitted to trading on a regulated market, which are valued based on valuation models for which there is no generally accepted market consensus as to the inputs to be used, namely:

  (i) valuation based on Net Asset Value of non-harmonized funds, updated and disclosed by their managing companies;
  (ii) valuation based on indicative prices disclosed by the entities involved in the issue of certain financial instruments, without an active market; or
  (iii) valuation based on impairment tests, using indicators of the performance of the underlying operations (degree of protection by subordination of notes held, delinquency rates of the underlying assets, evolution of ratings, among others).

  b) financial instruments valued at indicative purchase prices based on theoretical models, disclosed by specialized third parties.

Automatic classification proposed by SIVA relating to the level of fair value is made on the day of measurement, being supervised by a specialized team, in order to ensure that the classification of the fair value level is considered the most appropriate, according to the principles set forth herein.

Derivative financial instruments

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organized markets (mainly stock exchanges). For the over-the-counter derivatives (swaps and options) the valuation is based on generally accepted methods, always giving priority to values from the market.

- **Level 1:** This category includes futures and options and other derivative financial instruments traded on regulated markets.

- **Level 2:** Level 2 includes derivatives, traded on over-the-counter markets, without an optional component.

  Valuation of these derivatives is made by discounting the cash flows of the operations, using interest rate market curves deemed appropriate for the currency concerned, prevailing at the time of calculation. The interest rates are obtained from reliable sources of information (e.g. Bloomberg or Reuters). The same interest rate curves are used in the projection of non-deterministic cash flows such as interest calculated from indices. The rates for required specific periods are determined by appropriate interpolation methods.

- **Level 3:** Level 3 includes options and derivatives traded in the over-the-counter market, with embedded optional elements.

  The valuation of options is carried out using statistical models that consider the market value of the underlying assets and their volatilities (considering that the latter are not directly observable in the market). The theoretical models used to value derivatives classified in Level 3 are of two types:

  (i) For simpler options the Black-Scholes model and their derivatives is used (commonly used models by the market in the valuation of this type of operation). The unobservable market inputs (implied volatility of the underlying assets) are collected from Bloomberg.

  (ii) For exotic options or complex derivatives incorporating optional elements for which there are no valuation models available, the Bank contracts specialized entities that perform the valuation of these operations based on specific models that they develop using criteria and methodologies generally accepted by the sector for these types of instruments. On 31 December 2018, there were no outstanding operations of this type, therefore the Bank did not use valuations prepared by these entities.

In accordance with the policy defined by the Banco BPI as regards the management of exposures in options, significant open positions are not maintained, the risk being managed mainly through "back-to-back" hedges and portfolio hedges. Thus, the impact of possible changes in the inputs used in the valuation of the options, in terms of the Bank's income statement, tends to be negligible.

Valuations thus obtained are, in the case of interbank transactions, valued against those used by the counterparties and whenever there are significant differences, the models or assumptions are reviewed.

The valuation of the non-optional components, not adjusted for credit risk (cash flows from operations), is made based on discounted cash flows, using a methodology similar to that used for derivatives without an optional component. Nevertheless, the derivative instrument is classified (as a whole) in level 3.

Financial instruments recorded in the balance sheet at amortised cost

The fair value of financial instruments recorded in the balance sheet at amortised cost is determined by Banco BPI through valuation techniques.

The valuation techniques used are based on market conditions applicable to similar operations as of the date of the financial statements, such as the value of their discounted cash flows based on interest rates considered as most appropriate, namely:

- the cash flows relating to Financial assets at amortised cost - Loans and advances to Central Banks and Credit Institutions, and Financial liabilities at amortised cost - deposits from Central Banks and Credit institutions, were discounted based on interest rate curves for interbank operations on the date of the financial statements, except for medium and long term resources, the cash-flows of which were discounted based on the interest rate curve used by the Bank for senior issuances;

- in operations with Customers (Financial assets at amortised cost - loans and advances to Customers and Financial liabilities at amortised cost - Customer deposits), the weighted average of the reference rates used by the Bank in the previous month to contract similar operations is considered;

- for bonds issued (Financial liabilities at amortised cost - debt securities issued), the Bank considered the reference interest rates and spreads available in the market, considering the residual maturity and degree of subordination of the issuances. For subordinated debt, the Bank used issuance proposals submitted to the Bank by other credit institutions, as the basis for the construction of subordination spread curves, also considering the senior debt curve, the Portuguese public debt curve and the evolution of the spread between the Portuguese and German public debts.

For on demand operations (namely Cash and cash balances at central banks and other demand deposits, and deposits included in Financial liabilities at amortised), fair value corresponds to the respective balance-sheet value.

Note that the fair value presented for these financial instruments may not correspond to their realizable value in a sale or liquidation scenario, as it was not determined for that purpose.

The fair value of the financial assets on the balance sheet, broken down by levels, is as follows:

	30-06-2019					31-12-2018				
	Book	Fair value				Book	Fair value			
	value	Total	Level 1	Level 2	Level 3	value	Total	Level 1	Level 2	Level 3
Financial assets held for trading	**246 123**	**246 123**	**83 351**	**126 374**	**36 398**	**226 772**	**226 772**	**83 415**	**122 162**	**21 195**
Derivatives	152 050	152 050	247	125 329	26 474	131 708	131 708	712	119 162	11 834
Equity instruments	81 581	81 581	81 581			81 171	81 171	81 171		
Debt securities	12 492	12 492	1 523	1 045	9 924	13 893	13 893	1 532	3 000	9 361
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**406 013**	**406 013**	**991**		**405 022**	**437 666**	**437 666**			**437 666**
Equity instruments	138 041	138 041	991		137 050	154 527	154 527			154 527
Debt securities	267 972	267 972			267 972	283 139	283 139			283 139
Financial assets at fair value through other comprehensive income	**2 135 427**	**2 135 427**	**1 558 831**	**9 090**	**567 506**	**1 868 893**	**1 868 893**	**1 278 746**	**6 888**	**583 259**
Equity instruments	578 140	578 140	1 544	9 090	567 506	591 523	591 523	1 376	6 888	583 259
Debt securities	1 557 287	1 557 287	1 557 287			1 277 370	1 277 370	1 277 370		
Financial assets at amortised cost	**29 810 506**	**30 087 708**		**794 042**	**29 293 666**	**29 705 103**	**31 455 886**		**49 906**	**31 405 980**
Debt securities	7 546 057	7 508 419			7 508 419	7 556 295	7 593 133			7 593 133
Loans and advances	22 264 449	22 579 289		794 042	21 785 247	22 148 808	23 862 753		49 906	23 812 847
Central banks and credit institutions	800 651	794 042		794 042		790 761	771 312		49 906	721 406
Customers	21 463 798	21 785 247			21 785 247	21 358 047	23 091 441			23 091 441
Derivatives - Hedge accounting	**34 522**	**34 522**		**34 522**		**14 320**	**14 320**		**14 320**	
Total	**32 632 591**	**32 909 793**	**1 643 173**	**964 028**	**30 302 592**	**32 252 754**	**34 003 537**	**1 362 161**	**193 276**	**32 448 100**

The fair value of financial liabilities on the balance sheet, broken down by levels, is as follows:

	30-06-2019					31-12-2018				
	Book	Fair value				Book	Fair value			
	value	Total	Level 1	Level 2	Level 3	value	Total	Level 1	Level 2	Level 3
Financial liabilities held for trading	**164 294**	**164 294**	**26**	**145 577**	**18 691**	**141 335**	**141 335**	**83**	**136 531**	**4 721**
Derivatives	164 294	164 294	26	145 577	18 691	141 335	141 335	83	136 531	4 721
Financial liabilities at amortised cost	**31 836 612**	**31 908 401**		**1 341 967**	**30 566 434**	**31 901 779**	**31 931 121**		**1 352 721**	**30 578 400**
Deposits	26 066 614	26 086 181		1 341 967	24 744 215	26 370 230	26 379 733		1 352 721	25 027 012
Central Banks	1 350 100	1 341 967		1 341 967		1 352 843	1 352 721		1 352 721	
Credit Institutions	1 421 955	1 413 340			1 413 340	1 873 248	1 862 383			1 862 383
Customers	23 294 559	23 330 874			23 330 874	23 144 139	23 164 629			23 164 629
Debt securities issued	1 361 622	1 414 018			1 414 018	872 864	895 247			895 247
Other financial liabilities	4 408 376	4 408 202			4 408 202	4 658 685	4 656 141			4 656 141
Derivatives - Hedge accounting	**76 363**	**76 363**		**76 363**		**56 010**	**56 010**		**56 010**	
Total	**32 077 269**	**32 149 058**	**26**	**1 563 907**	**30 585 125**	**32 099 124**	**32 128 466**	**83**	**1 545 262**	**30 583 121**

To determine whether there had been significant changes in the value of the Bank's subsidiaries due to changes in assumptions or valuation parameters, the Dividend Discount Method (DDM) assessment of the Bank's most significant holding, BFA, included making sensitivity analysis of its value to the projected macroeconomic scenario for Angola, objective capital ratio, cost of capital and growth rate in perpetuity. It should be noted that all other methodologies used yielded higher values than obtained through the DDM.

The movement in level 3 financial assets at fair value and financial liabilities held for trading, during the first six months of 2019, and in 2018 was as follows:

	30-06-2019					31-12-2018				
	Financial assets and liabilities held for trading		**Financial assets not designated for trading compulsorily measured at fair value through profit or loss**		**Financial assets at fair value through other comprehensive income**	**Financial assets and liabilities held for trading**		**Financial assets not designated for trading compulsorily measured at fair value through profit or loss**		**Financial assets at fair value through other comprehensive income**
	Debt securities	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**	**Debt securities**	**Trading derivatives[1]**	**Equity instruments**	**Debt securities**	**Equity instruments**
Balance at beginning of period	**9 361**	**7 113**	**154 527**	**283 139**	**583 259**	**12 184**	**4 734**	**229 243**	**322 986**	**65 441**
Total profit or loss	370		(8 904)	3 070	(17 044)	(137)		116 880	(2 229)	506 694
Losses or gains	370	1 342	(8 904)	3 070		(3)	34 136	115 586	(867)	508 252
Adjustments to equity					(17 044)	(134)		1 294	(1 362)	(1 558)
Purchases	193		17 279	375	1 901	2 870		21 577	6 982	16 841
Liquidations and other		(672)	(25 852)	(18 612)	(610)	(5 556)	(31 757)	(213 173)	(44 600)	(5 717)
Balance at end of period	**9 924**	**7 783**	**137 050**	**267 972**	**567 506**	**9 361**	**7 113**	**154 527**	**283 139**	**583 259**

[1] Net value

36. SUBSEQUENT EVENTS

The public deed of the merger by incorporation of Banco Português de Investimento S.A. and BPI Private Equity – Sociedade de Capital de Risco, S.A. into Banco BPI, SA. was signed on 25 July.

The merger had already been publicly announced in October 2018. The merger, and consequent extinction of the two companies, became effective on 31 July 2019, with retroactive effects on the accounts as of 1 January 2019. The aim of these mergers by incorporation and legal extinction of the referred companies is to simplify the structure of BPI.

Law no. 98/2019, amending the provisions of the Corporate Income Tax Code with regard to the possibility of tax deduction of loan impairments, was published on the Diário da República on 4 September. This new regime provides for the possibility of any loan impairments recognised being deducted from the taxable profit of financial institutions, aligning the tax regime with the accounting regime and thus avoiding the generation of new deferred tax assets in this respect. The only exclusions from this alignment of the tax regime with the accounting regime are credits where the debtor is the state, a subsidiary or company holding more than 10% of the financial institution's share capital and members of its corporate bodies. With regard to impairments recognised prior to the adoption of the new regime, the former regime will continue to apply. Also in accordance with the referred regime, during the next five years, starting in 2019, financial institutions will be allowed to choose when to start adopting the new tax regime. The decision to adopt the new regime must be notified to the Tax and Customs Authority up to 30 October of the year in which this choice will apply.

37. NOTE ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards (IFRS) as endorsed by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Review Report on the Condensed Financial Statements

(Free translation from the original in Portuguese)

Introduction

We have reviewed the accompanying condensed financial statements of Banco BPI, S.A. ("Banco BPI" or "Banco"), which comprise the condensed statement of financial position as at June 30, 2019 (which shows total assets of Euro 35.671.360 thousand and total shareholder's equity of Euros 2.989.526 thousand, including a net profit of Euros 131.904 thousand, the condensed statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these financial statements.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o n° 183 e na CMVM sob o n° 20161485

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying condensed financial statements of Banco BPI, S.A. as at June 30, 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

September 27, 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

José Manuel Henriques Bernardo, R.O.C.

(This is a translation, not to be signed)

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.)

Statement

DECLARATION REFERRED TO IN ARTICLE 246 (1) C) OF THE SECURITIES CODE

Article 246 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The Members of the Executive Committee of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows:

"I declare in the terms and for the purposes of article 246 (1) (c) of the Securities Code that, to the best of my knowledge, the financial statements and the directors' report of Banco BPI, S.A., relating to the 1st half of 2019, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report contains an indication of the important events which occurred in the 1st half of 2019 and their impact on the respective financial statements, as well as a description of the principal risks and uncertainties for the six following months."

Pablo Forero Calderon	(Chairman)
Alexandre Lucena e Vale	(Member)
António Farinha Morais	(Member)
Francisco Manuel Barbeira	(Member)
Ignacio Alvarez-Rendueles	(Member)
João Pedro Oliveira e Costa	(Member)
José Pena do Amaral	(Member)
Pedro Barreto	(Member)

Porto, 24 September 2019