2015

MARKET DISCIPLINE REPORT

Millennium bcp

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LIST OF THE ACRONYMS AND TECHNICAL TERMS MOST USED THROUGHOUT THE DOCUMENT (IN ALPHABETICAL ORDER)

AC: Audit Committee
ALM: Asset and Liabilities Management
BoD: Board of Directors
CALCO: Capital Assets and Liabilities Committee
CCF: Credit Conversion Factors
CET1: Common Equity Tier 1
CRA: Commission for Risk Assessment
CRD IV: Directive 2013/36/EU of 26 June, regarding access to credit institutions' activity and prudential supervision of credit institutions and investment companies, which alters Directive 2002/87/CE and revokes Directives 2006/48/CE and 2006/49/CE
CRR: Regulation 575/2013/EU of 26 June, related to prudential requirements for credit institutions and for investment companies, which changes Regulation (EU) no. 648/2012
CRMSC: Credit Risk Monitoring Sub-Commission
CVA (Credit Valuation Adjustment): Adjustment to credit valuation induced by counterparty credit risk
EAD: Exposure At Default
EBA: European Banking Authority
EC: Executive Committee of the BoD
ECAI: External Credit Assessment Institutions
ECB: European Central Bank
IAS: International Accounting Standards
ICAAP: Internal Capital Adequacy Assessment Process
ILAAP: Internal Liquidity Adequacy Assessment Process
IRB: Internal Ratings Based
KRI: Key Risk Indicators
LGD: Loss Given Default
PD: Probability of Default
PFRSC: Pension Fund Risk Sub-Commission
RC: Risk Commission
RSA: Risks Self-Assessment
SIC 12 (Standing Interpretations Committee – before March 2002): interpretation that defines the criteria for SPE consolidation according to IAS 27
SPE: Special Purpose Entity
VaR: Value at Risk

INTRODUCTION

This "2015 Market Discipline Report" is comprised within the requisites for the provision of information foreseen in Pillar III of the Capital Accord, complementing the 2015 Annual Report of Banco Comercial Português, S.A. (hereinafter referred to as "Bank" or "Millennium bcp") concerning the information on risk management and capital adequacy on a consolidated basis, namely in what concerns the provision of detailed information on the capital, solvency, risks assumed and respective control and management processes.

This report includes information requisites foreseen in the Capital Requirements Directive/Capital Requirements Regulation (CRD IV/CRR) as well as additional information deemed relevant for an evaluation of the Bank's risk profile and capital adequacy on a consolidated basis, and is structured as follows:

Report chapters	
1	Statement of responsibility of the Board of Directors
2	Scope
3	Risk management in the Group
4	Capital adequacy
5	Credit risk
6	Counterparty credit risk
7	Credit risk mitigation techniques
8	Equity exposures in the banking book
9	Securitisation operations
10	Own funds requirements of the trading book
11	Own funds requirements for foreign exchange and commodities risks
12	Own funds requirements for operational risk
13	Interest rate risk in the banking book
14	Liquidity risk

REGULATORY CALCULATION METHODOLOGIES

During the first six months of 2009, the Bank received the authorisation from Banco de Portugal to use the advanced approach (internal model) for the generic market risk and to use the standard approach for operational risk.

Following the request submitted by Millennium bcp, Banco de Portugal authorised, as of 31 December 2010, the adoption of methodologies based on the Internal Ratings Based models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risks of the activity in Portugal.

Subsequently, within the scope of the gradual adoption of the IRB approach in the calculation of capital requirements for credit and counterparty risks, Banco de Portugal authorised the extension of this method to the subclasses "Renewable Retail Positions" and "Other Retail Positions" in Portugal, effective as of 31 December 2011.

With reference to 31 December 2012, Banco de Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for the "Corporate" risk class in Portugal and the adoption of IRB models for "Loans secured by residential real estate" and for "Renewable Positions" in the retail portfolio of the Group's subsidiary company in Poland.

On 31 December 2013, Banco de Portugal authorised the extension of the IRB method to the real estate promotion segment, as well as the adoption of own estimations of LGD for the "Corporate" exposures in Portugal.

Without damaging the provision of more detailed information in the next chapters, we show in Table 1 a summary of the calculation methodologies of the capital requirements used in the regulatory reporting as well as of the respective geographic application scope.

TABLE 1 – CAPITAL REQUIREMENTS: CALCULATION METHODS AND SCOPE OF APPLICATION

	31/12/2015	31/12/2014
CREDIT RISK AND COUNTERPARTY CREDIT RISK		
PORTUGAL		
Retail	**IRB Advanced**	IRB Advanced
Corporates	**IRB Advanced (1)**	IRB Advanced (1)
POLAND		
Retail		
- Loans secured by residential real estate	**IRB Advanced**	IRB *Advanced*
- Renewable positions	**IRB Advanced**	IRB *Advanced*
OTHER EXPOSURES (ALL ENTITIES OF THE GROUP)	**Standardised**	Standardised
MARKET RISKS (2)		
Generic market risk in debt and equity instruments	**Internal Models**	Internal Models
Foreign exchange risk	**Internal Models**	Internal Models
Commodities risk and market risk in debt and equity instruments	**Standardised**	Standardised
OPERATIONAL RISK (3)	**Standard**	Standard

(1) Excluding exposures derived from the simplified rating system, which were weighted by the standardised approach.
(2) For exposures in the perimeter centrally managed from Portugal; for all other exposures the only approach applied is the standardised method.
(3) The adoption of the standard method of operational risk was authorised in 2009 for application on a consolidated basis.

1. STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

I. This statement of responsibility issued by the Board of Directors of Banco Comercial Português, S.A., regards the "2015 Market Discipline Report", in compliance with the provisions of CRD IV/CRR.

II. On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) no. 575/2013 (Capital Requirements Directive IV/Capital Requirements Regulation – CRD IV/CRR), transposed to Portuguese law through Decree-Law no. 157/2014 of 24 October, that established new and more demanding capital requirements for credit institutions, with effects as from 1 January 2014, with highlight to the articles 431 to 455 and 492 of the CRR in the scope of Pillar III requisites.

III. The Capital Accord is based upon three different and complementary pillars:

- Pillar I consists in rules for the determination of minimum own funds requirements for hedging credit, market and operational risks;

- Pillar II comprises the main principles of the supervision and risk management process, including the capital adequacy self-assessment process;

- Pillar III complements the previous pillars with the demand for the provision of information on the financial standing and the solvency of credit institutions, establishing public disclosure requirements for capital and risk management processes and systems, aiming at enhancing market discipline.

IV. Hence, the "2015 Market Discipline Report" was prepared within the scope of Pillar III and is the eighth report published by the Bank made on this issue, in compliance with the regulations in force and in line with the practices followed by the major international banks.

V. The relevant events occurred between the end of the 2015 exercise and the approval date of this report are described in chapter 4.4. – Events with a material impact on own funds and capital requirements in 2016.

VI. Since the regulatory requirements do not foresee it, this report was not audited by the Bank's External Auditor. However, the same includes information published in the audited consolidated Financial Statements, in the 2015 Annual Report that was appraised and subject to approval in the General Meeting of Shareholders that took place on 21 April 2016.

VII. The report has the following chapters:

1. Statement of responsibility of the Board of Directors

2. Scope

3. Risk management in the Group

4. Capital adequacy

5. Credit risk

6. Counterparty credit risk

7. Credit risk mitigation techniques

8. Equity exposures in the banking book

9. Securitisation operations

10. Own funds requirements of the trading book

11. Own funds requirements for foreign exchange and commodities risks

12. Own funds requirements for operational risk

13. Interest rate risk in the banking book

14. Liquidity risk

VIII. The 2015 Annual Report includes information about the Bank's remuneration policy of the Executive Board of Directors under the information reported in Part I of the Corporate Governance Report.

IX. Concerning the information presented in the "2015 Market Discipline Report", the Board of Directors:

• Certifies that all procedures deemed necessary were carried out and that, to the best of its knowledge, all the information disclosed is trustworthy and true;

• Assures the quality of all the information disclosed, including the one referring to or with origin in entities comprised within the economic group of which the institution is part;

• Informs that no information related to number 2 of article 432 of the CRR, was omitted; and

• Commits to timely disclose any significant alterations that may occur in the course of the financial year subsequent to the one this reports relates to.

Lisbon, 27 June 2016

The Board of Directors of Banco Comercial Português, S.A., by delegation

2. SCOPE

2.1. IDENTIFICATION OF BANCO COMERCIAL PORTUGUÊS, S.A.

Banco Comercial Português, S.A. is a public traded company with share capital open to public investment (public company), with registered office at Praça D. João I, 28, in Porto, registered at the Porto Commercial Registry under the unique registry and tax number 501 525 882, registered at Banco de Portugal with code 33, at the Securities Market Commission as a Financial Intermediary under registration number 105 and at the Insurance Institute of Portugal as a Tied Insurance Intermediary, under number 207 074 605.

The share capital of the Bank, on 31 December 2015, was 4,094,235,361.88 euros, fully paid up and represented by 59,039,023,275 shares without nominal value. The ordinary, book-entry and nominal shares are registered in the centralised system managed by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.

The Bank is a public company, established in Portugal by public deed on 25 June 1985, parent company of a number of companies with which it has a controlling or group relationship, under the terms of article 21 of the Securities Code (henceforth designated as "Group" or "BCP Group"), and is subject to the European Central Bank supervision on both individual and consolidated basis, through the Single Supervisory Mechanism (SSM), in accordance with the provisions of Regulation (EU) no. 468/2014 of the European Central Bank (ECB/2014/17) (SSM Framework Regulation).

The Bank's Articles of Association and the individual and consolidated Annual Reports are at the public's disposal, for consultation, at the Bank's registered office and on its website, at www.millenniumbcp.pt.

2.2. BASIS AND PERIMETERS OF CONSOLIDATION FOR ACCOUNTING AND PRUDENTIAL PURPOSES

The information disclosed within the present document reflects the consolidation perimeter for prudential purposes, which differs from the consolidation perimeter of the Group accounts defined in accordance with the International Financial Report Standards (IFRS) as approved by the European Union (EU) within the scope of the provisions of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as transposed into the Portuguese legislation through the Decree-Law 35/2005 of 17 February and the Notice of Banco de Portugal no. 5/2005.

The main differences in the consolidation perimeter for prudential purposes, relative to the consolidation perimeter of the Group accounts, are related with the treatment of companies whose activity is of a different nature and incompatible with the provisions of the General Framework for Credit Institutions and Financial Companies, with reference to supervision on a consolidated basis, in accordance with Banco de Portugal Notice no. 8/94, namely in relation to commercial, industrial, agricultural or insurance companies.

Companies included in the previous paragraph are excluded from consolidation for prudential purposes, however considered by the equity method. Notwithstanding, and according to the Notice 8/94, Banco de Portugal may order the inclusion of some of these companies in the prudential consolidation perimeter, if and when it considers this the most appropriate decision in terms of supervision objectives.

In addition, shareholdings excluded from consolidation for prudential purposes that are recorded in the financial statements for the purposes of supervision on a consolidated basis under the equity method, can be deducted from consolidated own funds, totally or partially, under the terms defined by the CRR, as detailed in chapter "4. Capital adequacy". As of 31 December 2015 there are no subsidiaries not included in the consolidation perimeter for prudential purposes, whose own funds are lower than the required minimum level. Under the terms of article 4 of Decree-Law no.104/2007, of April 3, there are also no subsidiaries included in the consolidation perimeter for prudential purposes, regarding which the obligations relative to the minimum level of own funds and limits to large exposures are not applicable.

Except for some restrictions due to the Portuguese State having subscribed hybrid securities eligible for CET1 in June 2012, there is no significant, current or foreseen, impediment to the prompt transfer of own funds or repayment of liabilities among the Bank and its subsidiaries, although, with reference to Angola and Mozambique, the rules in force may condition the fluidity of fund transfers, but without any potentially significant impacts at Group level.

The entities included in the consolidation perimeter of BCP Group as at 31 December 2015 are described in Table 2, indicating the consolidation method to which they are subject to and giving adequate notes aiming to highlight the regulatory treatment of entities excluded from the consolidation perimeter for prudential purposes.

TABLE 2 – CONSOLIDATION METHODS AND REGULATORY TREATMENT

	31 December 2015			
	Accounting consolidation method	Head office	Economic activity	% control
Banco de Investimento Imobiliário, S.A.	Full	Portugal	Banking	100.0%
Banco ActivoBank, S.A.	Full	Portugal	Banking	100.0%
Banco Millennium Angola, S.A.	Full	Angola	Banking	50.1%
Bank Millennium, S.A.	Full	Poland	Banking	50.1%
Banque Privée BCP (Suisse) S.A.	Full	Switzerland	Banking	100.0%
BIM – Banco Internacional de Moçambique, S.A.	Full	Mozambique	Banking	66.7%
Millennium bcp Bank & Trust	Full	Cayman Islands	Banking	100.0%
BCP Finance Bank, Ltd.	Full	Cayman Islands	Banking	100.0%
BCP Finance Company	Full	Cayman Islands	Financial	100.0%
Caracas Financial Services, Limited	Full	Cayman Islands	Financial Services	100.0%
MB Finance AB	Full	Sweden	Financial	100.0%
Millennium BCP – Escritório de Representações e Serviços, Ltda.	Full	Brazil	Financial Services	100.0%
BCP International B.V.	Full	The Netherlands	Holding company	100.0%
BCP Investment, B.V.	Full	The Netherlands	Holding company	100.0%
BCP Holdings (USA), Inc.	Full	USA	Holding company	100.0%
BCP África, S.G.P.S., Lda.	Full	Portugal	Holding company	100.0%
Bitalpart, B.V.	Full	The Netherlands	Holding company	100.0%
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Full	Portugal	Holding company	100.0%
BCP Capital – Sociedade de Capital de Risco, S.A.	Full	Portugal	Venture capital	100.0%
BG Leasing S.A.	Full	Poland	Leasing	74.0%
Enerparcela – Empreendimentos Imobiliários. S.A.	Full (4)	Portugal	Real Estate Management	100.0%
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Full	Portugal	Real Estate Investment Funds Management	100.0%
Adelphi Gere, Investimentos Imobiliários, S.A.	Full (4)	Portugal	Real Estate Management	100.0%
Sadamora – Investimentos Imobiliários, S.A.	Full (4)	Portugal	Real Estate Management	100.0%
Millennium bcp – Prestação de Serviços, A.C.E.	Full	Portugal	Services	93.9%
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	Full	Portugal	Videotex Services	100.0%
Millennium Dom Maklerski S.A.	Full	Poland	Brokerage	100.0%
Millennium Leasing Sp. z o.o.	Full	Poland	Leasing	100.0%

(Continues)

(Continuation)

	31 December 2015			
	Accounting consolidation method	Head office	Economic activity	% control
Millennium Service Sp. z o.o	Full	Poland	Services	100.0%
Millennium Telecomunication Sp. z o.o.	Full	Poland	Brokerage	100.0%
Millennium TFI – Towarzystwo Fundusszy Inwestycyjnych, S.A.	Full	Poland	Investment Funds Management	100.0%
MBCP Reo I, LLC	Full	USA	Real Estate Management	100.0%
MBCP Reo II, LLC	Full	USA	Real Estate Management	100.0%
Millennium bcp Imobiliária, S.A.	Full	Portugal	Real Estate Management	99.9%
Propaço – Sociedade Imobiliária de Paço D'Arcos, Lda.	Full (5)	Portugal	Real Estate Development	52.7%
QPR Investimentos, S.A.	Full (5)	Portugal	Advisory and Services	100.0%
Servitrust – Trust Managment Services S.A.	Full	Portugal	Trust Services	100.0%
TBM Sp.z o.o.	Full	Poland	Advisory and Services	100.0%
Irgossai – Urbanização e construção, S.A.	Full (5)	Portugal	Construction and Promotion of Real Estate	100.0%
Imábida – Imobiliária da Arrábida, S A.	Full (5)	Portugal	Real Estate Management	100.0%
Fundo de Investimento Imobiliário Imosotto Acumulação	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo de Investimento Imobiliário Gestão Imobiliária	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo de Investimento Imobiliário Imorenda	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo Especial de Investimento Imobiliário Oceânico II	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Fundo de Investimento Imobiliário Fechado Gestimo	Full (1)	Portugal	Real Estate Investment Funds	100.0%
M Inovação – Fundo de Capital de Risco BCP Capital	Full (1)	Portugal	Real Estate Investment Funds	60.6%
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Millennium Fundo de Capitalização – Fundo de Capital de Risco	Full (1)	Portugal	Private Equity Fund	100.0%
Funsita – Fundo Especial de Investimento Imobiliário Fechado	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Imoport – Fundo de Investimento Imobiliário Fechado	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	Full (1)	Portugal	Real Estate Investment Funds	100.0%
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	Full (1)	Portugal	Real Estate Investment Funds	100.0%

(Continues)

(Continuation)

	31 December 2015			
	Accounting consolidation method	Head office	Economic activity	% control
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Full [1]	Portugal	Real Estate Investment Funds	54.0%
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Full [1]	Portugal	Real Estate Investment Funds	100.0%
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Full [1]	Portugal	Real Estate Investment Funds	100.0%
Banque BCP, S.A.S.	Equity method [3]	France	Banking	19.9%
Banque BCP (Luxembourg), S.A.	Equity method [3]	Luxembourg	Banking	7.3%
Academia Millennium Atlântico	Equity method [2]	Angola	Education	33.0%
ACT-C – Indústria de Cortiças, S.A.	Equity method [2]	Portugal	Extractive Industry	20.0%
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A.	Equity method [2]	Angola	Services	10.0%
Beiranave Estaleiros Navais Beira SARL	Equity method [2]	Mozambique	Shipyards	22.8%
Constellation, S.A.	Equity method [2]	Mozambique	Real Estate	20.0%
Luanda Waterfront Corporation	Equity method [2]	Cayman Islands	Services	10.0%
Lubuskie Fabryki Mebli S.A	Equity method [2]	Poland	Furniture Manufacturer	50.0%
Nanium, S.A	Equity method [2]	Portugal	Electronic Equipments	41.1%
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	Equity method [2]	Portugal	Tourism	31.3%
SIBS, S.G.P.S., S.A.	Equity method [3]	Portugal	Banking Services	21.9%
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Equity method [2]	Portugal	Consulting	25.0%
UNICRE – Instituição Financeira de Crédito, S.A.	Equity method [3]	Portugal	Credit Cards	32.0%
S&P Reinsurance Limited	Full [3]	Ireland	Life Reinsurance	100.0%
SIM – Seguradora Internacional de Moçambique, S.A.R.L.	Full [3]	Mozambique	Insurance	89.9%
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Equity method [3]	Portugal	Holding company	49.0%
Magellan Mortgages No.2 Limited	Full	Ireland	Special Purpose Entity (SPE)	100.0%
Magellan Mortgages No.3 Limited	Full	Ireland	Special Purpose Entity (SPE)	82.4%

[1] Entity excluded from the regulatory consolidation, whose impact on solvency indicators results from assessment of capital requirements of the participation units held in the investment fund.

[2] Entity excluded from the regulatory consolidation, whose impact on solvency indicators results from assessment of capital requirements of the equity amount recorded on the balance sheet assets.

[3] Entity excluded from the regulatory consolidation, which are subject to deduction from own funds under the CRR.

[4] Entity excluded from regulatory consolidation, since they belong to investment funds identified in [1].

[5] Entity excluded from regulatory consolidation, since they do not belong to the banking sector.

On 31 December 2015, the full and the financial balance sheet, that translates the consolidation perimeter of the Group's accounts and for prudential purposes on that date, as well as the respective differences, are described in Table 3:

TABLE 3 – RECONCILIATION BETWEEN ACCOUNTING AND UNDER REGULATORY SCOPE BALANCE SHEETS AS AT 31 DECEMBER 2015

Euro thousand

	Accounting balance sheet as in published financial statements	Desconsolidation of insurance/other entities	Accounting balance sheet under regulatory scope of consolidation
ASSETS			
Cash and deposits at central banks	1,840,317	-2	1,840,315
Repayable on demand	776,413	-559	775,854
Other loans and advances to credit institutions	921,648	-217	921,430
Loans and advances to customers	51,970,159	28,704	51,998,863
Financial assets held for trading	1,188,805	-18,762	1,170,043
Other financial assets held for trading at fair value through profit or loss	152,018		152,018
Financial assets available for sale	10,779,030	670,371	11,449,401
Assets with repurchase agreement			
Hedging derivatives	73,127		73,127
Financial assets held to maturity	494,891		494,891
Investments in associated companies	315,729	31,193	346,922
Non-current assets held for sale	1,765,382	-328,759	1,436,623
Investment property	146,280	-144,644	1,637
Property and equipment	670,871	-171,613	499,258
Intangible assets	210,916	-541	210,375
Current tax assets	43,559		43,559
Deferred tax assets	2,561,506	-5,155	2,556,352
Other assets	974,228	8,493	982,721
	74,884,877	68,511	74,953,388
LIABILITIES			
Amounts owed to central banks	5,863,401		5,863,401
Amounts owed to credit institutions	2,727,644		2,727,644
Amounts owed to customers	51,538,583	148,153	51,686,736
Debt securities	4,768,269		4,768,269
Financial liabilities held for trading	723,228		723,228
Other financial liabilities held for trading at fair value through profit or loss			
Hedging derivatives	541,230		541,230
Non-current liabilities held for sale			
Provisions for liabilities and charges	284,810	-73,728	211,082
Subordinated debt	1,645,371	3,433	1,648,805
Current income tax liabilities	22,287	-333	21,954
Deferred income tax liabilities	14,810	-343	14,468
Other liabilities	1,074,673	-12,346	1,062,327
	69,204,307	64,837	69,269,143
EQUITY			
Share capital	4,094,235		4,094,235
Treasury stock	-1,187		-1,187
Share premium	16,471		16,471
Preference shares	59,910		59,910
Other capital instruments	2,922		2,922
Reserves and retained earnings	215,474		215,474
Net income for the period attributable to Shareholders	235,344	0	235,344
	4,623,169	0	4,623,169
Non-controlling interests	1,057,402	3,674	1,061,076
TOTAL OF LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	74,884,877	68,511	74,953,388

Hereinafter please find the description of the consolidation methods used for accounting purposes and the respective selection criteria in force in the Group.

FULL CONSOLIDATION

Investments in subsidiaries where the Group holds control are fully consolidated from the date the Group assumes control over its financial and operational activities until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of capital held is less than 50%.

Additionally, the Group fully consolidates Special Purpose Entities (SPE) resulting from securitisation operations with assets from Group entities, based on the criteria presented in the chapter “9.2. Accounting policies of the Group”, related to the treatment of securitisation operations. Besides these SPE resulting from securitisation operations, no additional SPE have been consolidated considering that they do not meet the criteria established on SIC 12.

In addition, the Group manages assets held by investment funds, whose participation units are held by third parties. The financial statements of these entities are not consolidated by the Group, except when the Group holds more than 50% of the participation units. However, the entities consolidated for accounting purposes are excluded from the consolidation for prudential purposes, as previously mentioned, with their impact being reflected in the determination of own funds requirements.

PROPORTIONAL CONSOLIDATION

Jointly controlled entities, consolidated under the proportional method, are entities where the Group has joint control, established by contractual agreement. The consolidated financial statements include, in the corresponding captions, the Group’s proportional share of the entities’ assets, liabilities, revenue and expenses, with items of a similar nature on a line by line basis, from the date that joint control started until the date that joint control ceases. On 31 December 2015, the Group didn’t consolidate any entity by the proportional method.

EQUITY CONSOLIDATION

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

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

- Representation on the board of directors or equivalent governing body of the investee;

- Participation in policy-making processes, including participation in decisions about dividends or other distributions;

- Material transactions between the Group and the investee;

- Interchange of the management team;

- Provision of essential technical information.

The holdings held by the Group in insurance companies consolidated under the full consolidation method are accounted under the equity method, for the purposes of supervision on a consolidated basis.

2.3. ELIGIBILITY AND COMPOSITION OF THE FINANCIAL CONGLOMERATE

Directive 2002/87/EC, of December 16, 2002, of the European Parliament and Council, transposed to the Portuguese law by Decree-Law no. 145/2006, of July 31, established a fully integrated prudential supervision regime for credit institutions, insurance companies and investment companies that, provided certain conditions are met, are considered financial conglomerates.

The financial conglomerates are those groups that are headed by, or part of, an authorised regulated entity in the European Union of a relevant size, as defined in accordance with its balance sheet, which, cumulatively, include at least one entity from the insurance subsector and another from the banking or investment services subsector, and provided the activities developed by these two subgroups are significant.

An activity is considered significant if, for each subsector, the average between the weight of its balance sheet in the total Group's financial balance sheet and the weight of its solvency requirements in the total requirements of the Group's financial sector exceeds 10%, or if the balance sheet of the Group's smallest subsector exceeds 6 billion euros.

The Group was qualified as a financial conglomerate by the National Council of Financial Supervisors (Conselho Nacional de Supervisores Financeiros), by letter of 22 February 2007, for fulfilling the condition foreseen in article 3, no. 2, subparagraph b, ii), of Decree-Law no. 145/2006, of 31 July, reflecting a balance sheet of the insurance subsector, the Group's smallest subsector, in excess of 6 billion euros.

In addition, and notwithstanding the relative weight of the insurance subsector below the previously mentioned 10% level, the National Council of Financial Supervisors also considered that the Group does not meet the requirements for exclusion from the complementary supervision regime, under the terms of no. 1 of article 5 of the same Decree-Law no. 145/2006, of 31 July.

However, by letter dated 27 June 2013, Banco de Portugal informed the Bank about the disqualification as a financial conglomerate, justifying this decision with the fact that the balance of the insurance subsector has repeatedly shown a lower dimension to the respective identification threshold. Consequently, the Group is no longer subject to the rules for supplementary supervision set out in Decree-Law no. 145/2006 and in the Banco de Portugal Instructions no. 27/2007 and no. 28/2007, with effect from June 2013, notwithstanding this situation be subject to annual reassessment.

3. RISK MANAGEMENT IN THE GROUP

3.1. RISK MANAGEMENT PRINCIPLES

The Group is subject to several different risks related with the development of its activities.

The management of the risk faced by the several companies of the Group complies with the control and report principles, methodologies and procedures defined in a centralised manner, in coordination with the respective local departments and taking into consideration the specific risks of each business.

The Group's risk management policy aims at the identification, assessment, follow-up and control of all material risks that the institution faces, both internally and externally, so as to ensure that the same are kept in levels that match the risk tolerance pre-defined by the management body.

Thus, it is particularly relevant to monitor and control the major types of risk – particularly the credit, market, operational and liquidity risks and the risks related with the pension fund – inherent to the Group's activities. These can be defined as follows:

- Credit risk – credit risk reflects the potential losses and the degree of uncertainty regarding the future returns to be generated by the loan portfolio, due to the inability of borrowers (and of their guarantors, if any), issuers of securities or counterparties to agreements, to fulfill their obligations.

- Market risk – market risk consist of the potential losses that might occur in a given portfolio, as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering either the correlations that exist between those instruments or its volatility.

- Operational risk – operational risk consists in the occurrence of losses as a result of failures and/or inadequacies of internal processes, people or systems or due to external events.

- Liquidity risk – liquidity risk reflects the Group's potential inability to meet its obligations at maturity without incurring significant losses, resulting from a deterioration in funding conditions (funding risk) and/or from the sale of its assets below market values (market liquidity risk).

- Defined benefit pension fund risk – pension fund risk stems from the potential devaluation of the Bank's defined benefit pension fund, or from the decrease of its expected returns, implying the undertaking of unplanned contributions.

Credit, market and operational risks were the object of own funds requirements calculation within the scope of the regulatory information on capital adequacy of Basel's Pillar I, while liquidity risk is quantified through the ratios defined by the CRR/CRD IV. All of these risks and the pension fund risk are addressed within the scope of the stress testing included in the Group's Funding and Capital Plan.

3.2. RISK MANAGEMENT GOVERNANCE

The corporate bodies are the Board of Directors, with non-executive and executive directors, the latter composing an Executive Committee, an Audit Committee, composed of non-executive directors, and a Statutory Auditor. In addition, it is also composed by a Remuneration and Welfare Board and a Board for International Strategy.

Millennium bcp's Board of Directors (BoD) is ultimately responsible for the risk management policy comprising the approval of high level principles and rules of risk management, as well as the guidelines that frame capital allocation to the business segments, being the Executive Committee responsible for carrying out that policy and for the executive decision regarding measures and actions related to risk management.

The Audit Committee stems from the BoD and is entrusted with matters concerning the supervision of management, namely the correct functioning of the risk management and control systems, as well as the existence and abidance by adequate compliance and audit policies at the Group and entity levels.

The BoD also designated a Commission for Risk Assessment which is responsible for advising the Board on issues related with the definition of the risk strategy and the management of capital, liquidity and risk.

The Executive Committee appointed a Risk Committee that is responsible, at an executive level, for monitoring global credit, market, liquidity and operational risk levels (ensuring that these are compatible with the goals, financial resources available and strategies approved for the development of the group's activity), from a standpoint of support to decision-making regarding management and promotion of a better connection between current management decisions.

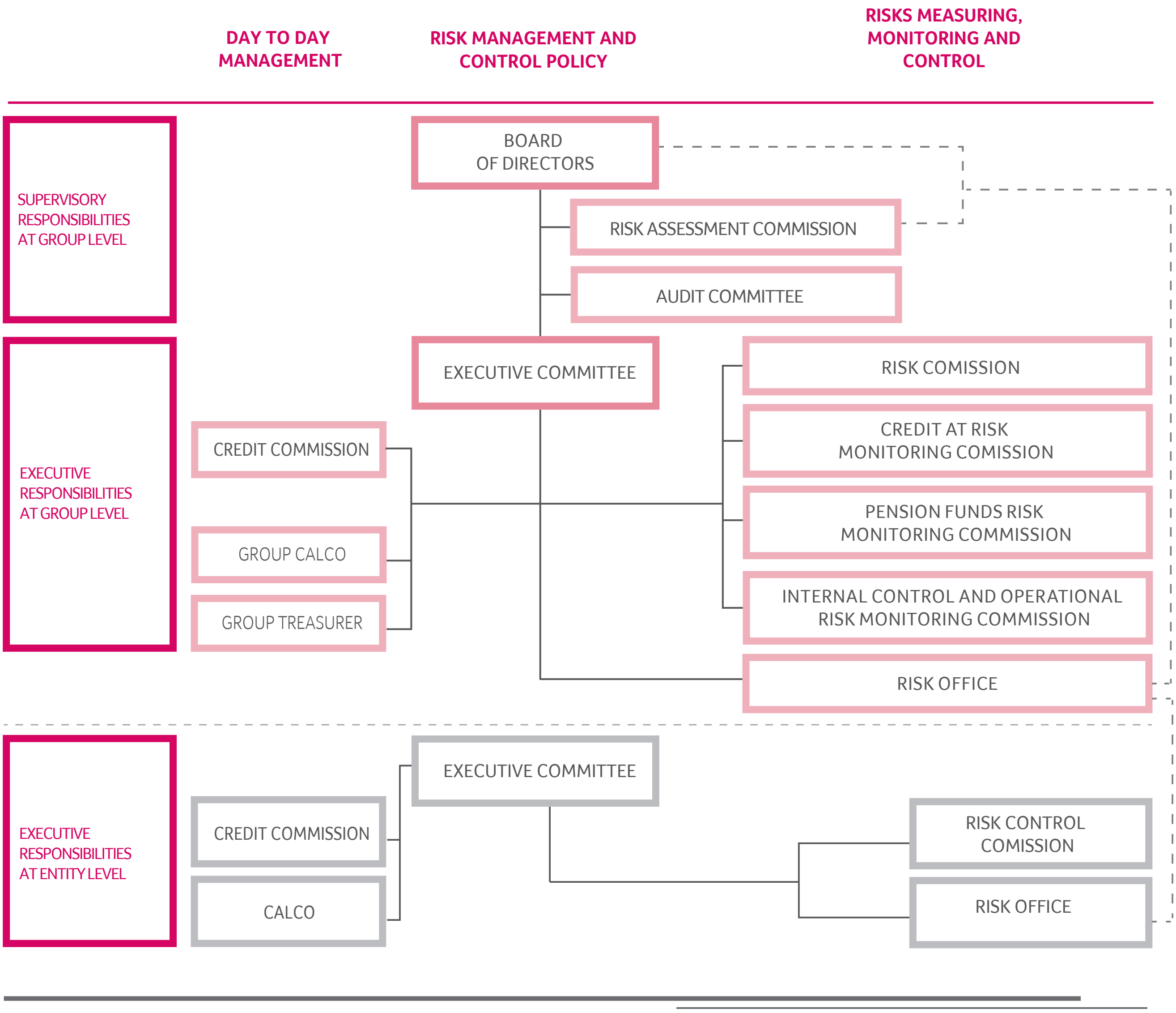
In 2015, there were also two specialised committees: the Credit Risk Monitoring Committee and the Pension Fund Risk Monitoring Committee. At the end of the year, the Operational Risk and Internal Control Monitoring Committee was also created.

The Risk Officer gives support to the Risk Committee, informing this body on the general level of risk and proposing measures to improve its respective control, implementing the approved limits. The responsible for the Risk Office also has the power to veto any decision that is not subject to the approval of the Board of Directors or of the Executive Committee and that may have an impact on the Group's risk level (for example: the launch of new products or changes to processes).

All entities included in the Bank's consolidation perimeter guide their activities by the principles and guidelines established centrally by the Risk Committee and the main subsidiaries abroad all have local Risk Office structures established in accordance with the risks inherent to their respective activities. Those subsidiary companies also have a Risk Control Committee (or Commission) responsible for controlling risk locally. The responsible for the Risk Office is a member of each Commission.

By delegation of the Board of Directors, the Group CALCO (Capital, Assets and Liabilities Management Committee) was responsible for the management of the overall capital of the Group, the management of assets and liabilities and the definition of the liquidity management strategies at the consolidated level. The Group CALCO was responsible for the structural management of market and liquidity risks, including the monitoring of the liquidity plan execution, definition of transfer prices and capital allocation rules, decision making and monitoring of the coverage of specific positions and of the Investment Portfolio.

TABLE 4 – RISK MANAGEMENT MODEL



3.3. RISK ASSESSMENT

3.3.1. CREDIT RISK

The granting of credit is based on the prior classification of the Customer's risk and on the strict assessment of the protection level given by underlying collaterals. For that purpose, a single system of risk classification is used, the Rating MasterScale, based on the expected Probability of Default (PD), enabling a greater capacity to evaluate and classify the Customers and grade the associated risk.

The Rating MasterScale also enables the Bank to identify Customers that show signs of degradation in their capacity to service their debts and, in particular, those who are classified, within the scope of Basel II, as being in default. All the rating models and systems used in the Group have been duly weighted for the Rating MasterScale. The Group also uses an internal scale of protection levels as a crucial element in the assessment of the efficiency of the collateral in the mitigation of the credit risk, promoting a more active credit collateralisation and a better adequacy of the pricing to the incurred risk.

Aiming at the best possible adequacy of credit risk assessment, the Group has defined a series of client macro-segments and segments which are treated under different rating systems and models and support the links between internal ratings (risk grades) and Clients PD, ensuring that the risk assessment takes into account the specific characteristics of the Customers, in terms of their respective risk profiles.

The assessments made by the rating systems and models referred above are translated into the risk grades of a transversal Master Scale, with fifteen levels, of which the last three correspond to situations of relevant deterioration in Customer creditworthiness, called "procedural risk grades". Risk grades are attributed by rating systems models with automatic decision or by the Rating Department and are revised/updated periodically or whenever justified by events.

The internal estimates of Loss Given Default (LGD) and Credit Conversion Factors (CCF) are supported by internal approaches validated by Banco de Portugal in the scope of the approval of the IRB based approaches. The LGD estimations are produced by resorting to a model that collects and analyses the history of losses due to credit risk and discounts all the cash-flows inherent to the respective recovery processes while the ones of the CCF result from the analysis made to data on the use of credit lines and limits during one year before the occurrence of the defaults.

The stage of development of the processes and systems allocated by the Group to credit risk management and control enabled Banco de Portugal to approve the Group's application for the use of the IRB approach for the calculation of the regulatory capital requirements for this type of risk and for the main risk classes, with effect as of 31 December 2010 for the Group's activities in Portugal, which was followed by the joint authorisation given by the Polish and Portuguese supervision authorities for the sequential adoption of that approach for Bank Millennium (Poland), effective as at 31 December 2012. Effective from 31 December 2013, Banco de Portugal has approved, for the Group activities in Portugal, the use of own LGD estimates for the "Corporates" risk class (IRB Advanced), as well as internal rating models with own LGD estimates for the real estate promotion Clients.

The Group follows a policy of permanent monitoring of its credit risk management processes, promoting their fine-tuning and every appropriate change aiming to reinforce the quality and effectiveness of those processes.

In 2015 the following actions should be highlighted:

- Launching of IRB (Internal Ratings Based) applications for portfolios that are not yet covered by this approach, under the established Roll Out Plan;

- Redefinition and implementation of a new default definition;

- Independent validation of the new credit impairment assessment model and implementation of the recommendations stemming from this validation;

- Response to the supervision's inspection of the "Non-performing exposures" and of "Forbearance definitions", as well as to the "Stocktake exercise on non-performing loans" inquiry.

3.3.2. MARKET RISK

For the purpose of profitability analysis and of the quantification and control of market risks, the Trading Book portfolio comprises the positions held with the aim of obtaining short-term gains, through sale or revaluation. These positions are actively managed, traded without restrictions and can be precisely and frequently evaluated. The positions in question include securities and derivatives related to sales activities. The Banking Book portfolio includes all the other positions, namely the wholesale financing, the securities held for investment, the commercial activity and the structural activity.

In order to ensure that the risks incurred in the portfolios of the Group are in accordance with the Group's risk tolerance levels, several limits are defined for market risks (reviewed at least once a year) and are applied to all the portfolios that, in accordance with the management model, might incur these risks.

The definition of these limits is based on the market risk metrics used by the Group in its control and monitoring, which are followed by the Risk Office on a daily basis (or intra-daily, in the case of the financial markets areas – Trading and Funding).

In addition to these risk limits, stop loss limits are also defined for the financial markets areas, based on multiples of the previously defined risk limits, aiming at limiting the maximum losses which might occur within each of the areas. When these limits are reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

The Group uses an integrated market risks measure that allows the monitoring of all the relevant sub-types of risk considered. This measure covers the evaluation of the following types of risk: generic risk, specific risk, non-linear risk and commodities' risk. The measurement used on the assessment of the generic market risk – relative to interest rate risk, exchange rate risk, equity risk and price risk of Credit Default Swaps uses a VaR (Value at Risk) model based on the analytical approximation defined in the methodology developed by RiskMetrics, where the calculation considers a time horizon of ten business days and a significance level of 99%.

A model is also used to assess the specific risk existing due to the ownership of securities (bonds, shares, certificates, etc.) and of derivatives the performance of which is directly related with the securities' value. With the necessary adjustments, this model follows the standard methodology defined in the applicable regulation in force, stemming from the Basel Agreement.

Other complementary methods are also applied to the remaining risk types, namely a non-linear risk measure that incorporates the option risk not covered by the VaR model, with a confidence interval of 99%, and the standardised approach for the commodities risk. These measures are integrated in the market risk indicator, with the conservative assumption of perfect correlation between the several risk types (worst-case scenario).

The amounts of capital at risk are thus determined, both on an individual basis, for each of the portfolio positions of the taking and managing risk areas, and in consolidated terms, considering the effects of diversification of the various portfolios.

In order to ensure that the internal VaR model is adequate to assess the risks involved in the positions held, there is a process of backtesting, carried out daily through which the VaR indicators are confronted with those that really occurred. This backtesting is made in a hypothetical manner (using the static portfolio for the estimation of the VaR and the market variations occurred in the meantime) and in a real manner (using the real result of the portfolio, writing off the intermediation results).

The interest rate risk derived from the operations of the banking book is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated balance sheet.

This analysis considers the financial characteristics of the contracts available at the Group management information systems. Based on these data the respective projection of expected cash-flows is carried out, according with the repricing dates and any prepayment assumptions considered.

The aggregation, for each of the currencies assessed, of the expected cash-flows for each of the periods of time, allows the determination of the interest rate gaps by repricing period.

The sensitivity of each currency to the interest rate risk is determined by the difference between the present value of the interest rate mismatch, discounted at market interest rates, and the present value of the same cash-flows arising from the simulation of parallel shifts of the yield curves.

The Group performs hedging operations with the market on a regular basis, aimed at reducing the interest rate mismatch of risk positions associated to the portfolio of the commercial and structural areas.

Within the scope of market risk management, we underline the following accomplishments in 2015:

- Extensive revamping of the market risks management framework, leading to the formal definition of trading strategies, to the redefinition of limits controls and to the strengthening of the control mechanisms concerning the assumptions of the internal model used (VaR – Value-at-risk);

- Implementation of a new process (and a new software) for daily and intra-daily control of market information relevant for risk assessment and control;

- Review of the market data validation procedures, as well as of the main static data elements of the front-office systems;

- Definition and implementation of controls and mitigating measures to overcome situations where the main assumptions of the VaR model (normality, non-existence of self-correlation, optimal decay factor) might not be verified;

- Review and expansion of the tests used in the stress tests programme for market risks and definition of specific limits for the stress tests scenarios;

- Review and formalisation of the internal manuals which define the operating aspects of the market risks' control.

3.3.3. OPERATIONAL RISK

For the management and control of this type of risk, the Group has increasingly adopted a set of clearly defined principles, practices and control mechanisms that are documented and implemented, of which the following are examples: the segregation of functions; the definition of lines of responsibility and corresponding authorisations; the definition of limits of tolerance and of exposure to risk; the codes of ethics and codes of conduct; the implementation of KRI (Key Risk Indicators) [1]; the access controls, physical and logical; the reconciliation activities; the exception reports; the new products' structured approval process; the contingency plans; the insurance policies; and the internal training on processes, products and systems.

Hence, aiming at an increasingly higher efficiency in the identification, assessment, control and mitigation of risk exposures, the Group has been strengthening its operational risk management framework since 2006 and expanding it to the main operations abroad, benefiting from the adoption of a common supporting IT application in all the subsidiaries and the monitoring performed by the Group Risk Office.

Operational risk management is based on an end-to-end process structure, defined for all the subsidiaries of the Group, which provides the benefits from a broader perception of the risks and of the measures implemented to mitigate them and result in an integrated vision of the activities undertaken along the value chain of each process.

The group of processes defined for each entity is dynamic, adjusted and differentiated according to changes in the operational practices and business of each entity, so as to cover all the relevant activities developed.

The responsibility for the management of the processes is attributed to process owners, whose mission is to: characterise the operational losses captured in the context of their processes; perform the risks self-assessment (RSA); identify and implement the appropriate measures to mitigate risk exposures, contributing to strengthen the internal control environment; and monitor the KRI.

In 2015, the Operational Risk and Internal Control Monitoring Committee was established for a more systematic monitoring of the operational risk.

[1] The monitoring of the KRI metrics enables the identification of changes in the risk profile or in the efficiency of the controls, providing for the detection of opportunities for the launching of corrective actions to prevent effective losses. This management tool is already used in the most important geographical areas where the Group operates.

The objective of the risks self-assessment (RSA) is to promote the identification and mitigation (or even elimination) of risks, actual or potential, within each process. Each risk is classified according to its positioning on a tolerance matrix, for three different scenarios, which allows for the: determination of the risk of the process without considering the existent contracts (Inherent Risk); assessment of the risks exposure of the different processes, considering the influence of existing controls (Residual Risk); and identification of the impact of the improvement opportunities in the reduction of the most significant exposures (Target Risk).

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners and process managers, or on questionnaires sent to the process owners for the updating of previous results, according to defined updating criteria.

The process owners play a relevant role in promoting the data collection on losses occurring within the context of their processes, which are identified through the systematic monitoring of their activities, through notifications of any employees or through communications from organizational units, following costs authorizations concerning operational flaws. The Risk Office ensures the completeness of the database, notifying process owners about events that are not yet registered in the database by using information made available by other areas.

The main objective of the collection of data on operational loss events is to strengthen awareness of this type of risk and provide relevant information to the process owners, to be incorporated in the management of their processes, and to provide support for backtesting the results of the RSA.

The identified operational losses are related to each process and recorded in the Group's operational risk management IT application, being characterised by their respective process owners and process managers.

The full characterisation of an operational loss includes, in addition to the description of the respective cause-effect, its valuation and, when applicable, a description of the identified mitigation action (based on the analysis of the cause of loss) which was or will be implemented.

The consolidation of the loss data capture process at the different subsidiaries of the Group is evidenced by the evolution of its respective records in the database. Uniformity of criteria in data capture is ensured by the Group Risk Office, which analyses loss events data and promotes the circulation of information on the mitigation of events throughout all the geographical areas in which the Group operates. Furthermore, processes aimed at the reconciliation of the recorded information on losses with accounting data are run.

The main accomplishments in terms of operational risk management of 2015 were:

- Supervisory inspection of the Group's operational risk management system and establishment of an action plan to address the resulting recommendations;
- Continuous development of the Group's operational risk management system, including the reviewing of the responsibilities of the intervenient and training of process owners;
- Creation of a statistical model for operational risk, based on the technical requirements issued by the European Banking Authority (EBA);
- Implementation and significant development of the structures and mechanisms for control and management of operational risk in Angola (at a final stage of completion).

3.3.4. LIQUIDITY RISK

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

The liquidity risk assessment is based on the regulatory framework, as well as on other internal indicators for which exposure limits have also been defined.

The evolution of the Group's liquidity situations for short-term horizons (up to 3 months) is carried out daily on the basis of two internally defined indicators – the immediate liquidity and the quarterly liquidity. These indicators measure the maximum fund-taking requirements that might occur in one day, considering the cash-flow projections for the periods of, respectively, 3 days and 3 months.

These indicators are calculated by adding to the liquidity position registered on the assessment date the future cash-flows estimated for each one of the days of the respective timeframe (3 days or 3 months) for the group of operations intermediated by the market areas, including the operations made with Customers from the Corporate and Private networks that given their dimension are mandatorily listed by the Trading Room. To the value thus estimated one adds the amount of assets considered highly liquid that are in the Bank's securities portfolio, determining the liquidity gap accumulated in each one of the days of the timeframe under analysis.

At the same time, the Bank regularly monitors the evolution of the Group's liquidity position, with the identification of all factors that may justify the variations occurred. This analysis is submitted to the appraisal of the CALCO, aiming at making decisions that enable to maintain financing conditions suitable for the development of the activity. Moreover, the control of the exposure to liquidity risk pertains to the Risk Commission.

3.3.5. DEFINED BENEFIT PENSION FUND RISK

The defined benefit pension fund risk stems from the potential devaluation of the Bank's defined benefit pension fund, or from the decrease of its expected returns, implying the undertaking of unplanned contributions. The Pension Fund Risk Monitoring Committee is responsible for the regular monitoring and follow-up of this risk.

4. CAPITAL ADEQUACY

4.1. REGULATORY FRAMEWORK

On 26 June 2013, the European Parliament and the Council approved the Directive 2013/36/EU and the Regulation (EU) no. 575/2013 (Capital Requirements Directive IV/Capital Requirements Regulation – CRD IV/CRR), which established new and stricter capital requirements to credit institutions, with effect from 1 January 2014.

These stricter requirements result from a narrower definition of own funds and risk weighted assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital, which also includes Tier 2 own funds.

Additionally, supervision authorities may impose a capital buffer to systemically important institutions given its dimension, importance for the economy of the Member State, business complexity or degree of interconnection with other institutions in the financial sector and, in the event of insolvency, the potential contagion of these institutions to the rest of the non-financial and financial sectors. The Group has been considered an O-SII (other systemically important institutions), being obliged to compliance of an additional buffer of 0.75% from 1 January 2017.

It is also predicted a countercyclical buffer, aimed to ensure that the banking sector has enough capital to absorb the losses generated in macroeconomic downturn conjectures, especially after periods of excess credit expansion, and to moderate these movements, given that this buffer depends on a discretionary decision of the competent authorities, based on their assessment regarding the underlying risks of the evolution of credit aggregates. This buffer may vary between zero and 2.5% for each institution and the need to achieve the defined goals may also impose restrictions in terms of distributions that go against an adequate capital conservation level.

The CRD IV/CRR also predicts the possibility of institutions to gradually accommodate the new requirements, both in terms of own funds and compliance with minimum capital ratios, over determined maximum transition periods.

The consolidated capital ratios, as of 31 December 2014 and 2015, were calculated applying methodologies based on Internal Rating models (IRB) in the calculation of capital requirements for credit and counterparty risk, both for a relevant component of the retail portfolio in Portugal and Poland, and for the portfolio of companies stated in the activity in Portugal. The advanced method (internal model) was used for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operating risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

4.2. OWN FUNDS AND CAPITAL ADEQUACY ON 31 DECEMBER 2015 AND 2014

Own funds are calculated according to the applicable regulatory norms and include *tier* 1 and *tier* 2. Tier 1 comprises common equity tier 1 and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments eligible for this line item fully subscribed by the Portuguese State within the scope of the Bank's capitalisation process, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares, the shortfall of provisions to expected losses concerning exposures whose capital requirements for credit risk are calculated under the IRB approach and goodwill and other intangible assets. Reserves and retained assets are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, net of taxes, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with CRR requirements and the minority interests eligible up to the amount of tier 1 capital requirements attributable to the minorities.

Tier 2 includes the subordinated debt that is compliant with CRR requirements and the minority interests eligible up to the amount of total capital requirements attributable to the minorities.

CRD IV/CRR stipulates a transitional period to exclude some elements previously considered (phase-out) and include new elements (phased-in), in which institutions may accommodate the new requirements. The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to the own funds, that have a longer period (until the end of 2023 and 2021, respectively).

The BCP's Extraordinary General Meeting of Shareholders that took place on 15 October 2014 approved adhesion of the Bank to the special scheme applicable to deferred tax assets, as provided for in Law no. 61/2014 of 26 August 2014, applicable to expenses and negative changes of the net worth of assets accounted for tax periods beginning on or after 1 January 2015 as well as the deferred tax assets recorded in the annual accounts concerning the last tax period prior to that date and part of the expenses and negative changes of the net worth of assets that are associated with them.

This approval had a favourable impact in the capital ratios estimated in accordance with the CRD IV/CRR since 1 January 2015, since it allowed to reduce the deductions related to deferred taxes in CET1, associated with loan impairment losses and post-employment or long term benefits of employees, despite an increase of risk-weighted assets.

The main aggregates of the consolidated own funds and own funds requirements, as of 31 December 2015 as well as the respective capital ratios are shown in Table 5-A:

TABLE 5-A – CAPITAL RATIOS AND SUMMARY OF THE MAIN AGGREGATES

Euro thousand

	31/12/2015	31/12/2014
OWN FUNDS		
Tier I	**5,774,760**	5,076,642
of which: Common Equity Tier I	**5,774,760**	5,076,642
Tier II	**431,981**	723,124
Total capital	**6,206,741**	5,799,766
CAPITAL REQUIREMENTS		
Credit risk and counterparty credit risk	**3,096,619**	3,052,801
Market risk	**90,915**	73,597
Operational risk	**259,175**	245,749
Credit Valuation Adjustments (CVA)	**18,525**	17,941
TOTAL	**3,465,234**	3,390,088
CAPITAL RATIOS		
Common Equity Tier I	**13.3%**	12.0%
Tier I	**13.3%**	12.0%
Total capital	**14.3%**	13.7%

The phased-in CET1 ratio, calculated according to our interpretation of the CRD IV/CRR and the current applicable prudential regulatory framework, was 13.3% as at 31 December 2015 and 12.0% as at 31 December 2014, both above the respective minimum required thresholds.

The entry into force of the law on the special scheme applicable to deferred tax assets was positive in four basis points. On the other hand, the impact of the regulatory adjustments associated to the progression of phase-in in 1 January 2015 was negative in 93 basis points, setting CET1 ratio at 11.1%, to which contributed the CET1 reduction of 404 million euros and the increase of 99 million euros in risk weighted assets.

TABLE 5-B – IMPACTS

Euro thousand

	CET1 31/12/2014	DTA IAS [1]	*Phase-in*	**CET1 01/01/2015**	Activity 2015	**CET1 31/12/2015**
CET1	5,076,642	153,541	-403,957	**4,826,226**	948,533	**5,774,760**
RWA	42,376,105	1,138,798	-99,489	**43,415,414**	-99,993	**43,315,421**
Ratio	12.0%	4 b.p.	-93 b.p.	**11.1%**	227 b.p.	**13.3%**

[1] Impact calculated based on the value of the deferred tax assets in the consolidated financial statements (IAS).

Additionally, the following effects determined CET1's evolution from 11.1 %, as at 1 January 2015, to 13.3%, as at December 2015:

- The aggravation, as at 1 January 2015, of the risk weights applied to the exposures held on the Central Administration and Angolan Central Bank, which were reflected in an increase of 539 miilion euros in risk weighted assets as at that date (-14 basis points in the phased-in CET1 ratio);

- The sale of ordinary shares representing 15.41% of the capital of Bank Millennium, S.A. in Poland led to an increase of CET1 of 262 million euros and an increase of risk weighted assets of 95 million euros, respectively (+58 basis points in the phased-in CET1 ratio);

- The Public Exchange Offer carried out in June 2015 led to an increase of 427 million euros of CET1, and of 175 million euros of risk-weighted assets (+93 basis points in the CET1 phased-in ratio);

- The activity developed by the Group in 2015, excluding the effect of the operations described above, enabled adding +85 basis points to the CET1 phased-in ratio, both due to the CET1, and the additional saving of capital requirements. Regarding CET1, we highlight the positive contributions of the net income, minority interest and the shortfall of impairment to expected loss, notwithstanding the recognition of adverse impacts associated to exchange rate differences and the actuarial differences of the pension fund. Concerning capital requirements, note should be made of the reduction of the value of the risk weighted assets of exposures with credit risk, following the evolution of the consolidated balance sheet, namely loans to Customers.

Table 6 shows the reconciliation between the accounting and regulatory capital as at 31 December 2015 and 2014:

TABLE 6 – RECONCILIATION BETWEEN ACCOUNTING AND REGULATORY CAPITAL

Euro thousand

		31/12/2015	31/12/2014
1	Share capital	**4,094,235**	3,706,690
2	Own shares	**-1,187**	-13,547
3	Share premium	**16,471**	
4	Preference shares	**59,910**	171,175
5	Other capital instruments	**2,922**	9,853
6	Reserves and retained earnings	**215,474**	564,985
7	Net income for the period attributable to Shareholders	**235,344**	-226,620
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**4,623,169**	4,212,536
8	Non-controlling interests (minority interests)	**1,061,076**	777,257
	TOTAL EQUITY	**5,684,245**	4,989,793
9	Own shares of CET1 not elegible instruments	**-7,515**	10,828
10	Preference shares not elegible for CET1	**-59,910**	-171,175
11	Other capital instruments not elegible for CET1	**-2,922**	-9,853
12	Subordinated debt fully subscribed by the Portuguese State eligible for CET1	**750,000**	750,000
13	Non-controlling interests not eligible for CET1	**-194,909**	-91,017
14	Other regulatory adjustments	**-394,229**	-401,934
	COMMON EQUITY TIER 1 (CET1)	**5,774,760**	5,076,642
15	Subordinated debt	**22,628**	92,896
16	CET1 transferred adjustments	**231,819**	311,220
17	T2 transferred adjustments	**-17,640**	-23,520
18	Other adjustments	**-236,807**	-380,596
	of which: Intangible assets	**-126,225**	-201,618
	of which: Shortfall of impairment to expected loss	**-106,385**	-165,271
	of which: Residual amounts of CET1 instruments of financial entities in which the institution has a significant investment	**-4,196**	-13,708
	TIER 1 (T1)	**5,774,760**	5,076,642
19	Subordinated debt	**517,792**	876,252
20	Non-controlling interests elegible for T2	**134,987**	141,019
21	Preference shares elegible for T2		
22	Adjustments with impact in T2, including national filters	**-220,797**	-294,147
23	Adjustments that are transferred for T1 for insufficient T2 instruments		
	TIER 2 (T2)	**431,981**	723,124
	OWN FUNDS	**6,206,741**	5,799,766

NOTES:
The sum of headings 1, 2, 3 and 9 is equivalent to heading 1 of the transitional model of disclosure of own funds, as set out in the annex.
The sum of headings 6 and 7 is equivalent to the sum of headings 2 and 3 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 12 is equivalent to heading 4 of the transitional model of disclosure of own funds, as set out in the annex.
The sum of headings 8 and 13 is equivalent to heading 5 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 14 is equivalent to heading 28 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 15 is equivalent to heading 33 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 16 is equivalent to headings 34 and 41 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 17 is equivalent to heading 41b of the transitional model of disclosure of own funds, as set out in the annex.
The heading 18 is equivalent to heading 41a of the transitional model of disclosure of own funds, as set out in the annex.
The heading 19 is equivalent to heading 46 and 47 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 20 is equivalent to heading 48 of the transitional model of disclosure of own funds, as set out in the annex.
The heading 22 is equivalent to heading 57 of the transitional model of disclosure of own funds, as set out in the annex.

Table 7 shows BCP Group capital requirements as at 31 December 2015 e 2014.

TABLE 7–OWN FUNDS REQUIREMENTS.

Euro thousand

	31/12/2015	31/12/2014
2. OWN FUNDS REQUIREMENTS	**3,465,234**	3,390,088
2.1. FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	**3,068,958**	3,021,233
2.1.1. Standardised approach	**1,504,959**	1,471,251
2.1.1.1. Standardised approach exposure classes, excluding securitisation positions	**1,504,959**	1,471,251
2.1.1.1.1. Claims or contingent claims on central governments or central banks	**158,403**	81,699
2.1.1.1.2. Claims or contingent claims on regional governments or local authorities	**7,954**	7,657
2.1.1.1.3. Claims or contingent claims on Public Sector Entities	**24,086**	2,124
2.1.1.1.4. Claims or contingent claims on multilateral development banks		
2.1.1.1.5. Claims or contingent claims on international organisations		
2.1.1.1.6. Claims or contingent claims on institutions	**67,309**	96,933
2.1.1.1.7. Claims or contingent claims on corporates	**350,450**	500,250
2.1.1.1.8. Retail claims or contingent retail claims	**107,329**	104,835
2.1.1.1.9. Claims or contingent claims secured on real estate property	**47,676**	64,563
2.1.1.1.10. Past due items	**38,505**	51,146
2.1.1.1.11. Items belonging to regulatory high-risk categories	**163,554**	153,299
2.1.1.1.12. Claims on covered bonds	**821**	
2.1.1.1.13. Claims on institutions and companies with short-term credit assessment		
2.1.1.1.14. Claims on collective investment undertakings (CIUs)	**64,362**	66,407
2.1.1.1.15. Equity positions	**68,544**	68,246
2.1.1.1.16. Other items	**405,965**	274,092
2.1.1.2. Securitisation positions under the standardised approach		
2.1.2. IRB approach	**1,563,999**	1,549,982
2.1.2.1. Not using own estimations of LGD and/or credit conversion factors	**124,434**	145,550
2.1.2.1.1. Claims or contingent claims on central governments or central banks		
2.1.2.1.2. Claims or contingent claims on institutions		
2.1.2.1.3. Claims or contingent claims on corporates	**124,434**	145,550
2.1.2.2. Using own estimations of LGD and/or credit conversion factors	**1,360,475**	1,330,321
2.1.2.2.1. Claims or contingent claims on central governments or central banks		
2.1.2.2.2. Claims or contingent claims on institutions		
2.1.2.2.3. Corporate claims or contingent corporate claims	**840,591**	805,199
2.1.2.2.4. Retail claims or contingent retail claims	**519,884**	525,122
2.1.2.3. Equity positions	**46,500**	26,961
2.1.2.4. Securitisation positions	**31,899**	45,906
2.1.2.5. Other assets not related to bond loans	**690**	1,245
2.2. SETTLEMENT RISK		
2.3. OWN FUNDS REQUIREMENTS FOR POSITION, FOREIGN-EXCHANGE AND COMMODITIES RISK	**90,915**	73,597
2.3.1. Standardised approach	**13,065**	8,608
2.3.1.1. Traded debt instruments	**4,532**	2,923
2.3.1.2. Equity	**127**	165
2.3.1.3. Foreign exchange risks	**8,173**	5,270
2.3.1.4. Commodities risks	**233**	249
2.3.2. Internal models approach	**77,850**	64,989
2.4. OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK	**259,175**	245,749
2.4.1. Basic indicator approach		
2.4.2. Standard method	**259,175**	245,749
2.5. OWN FUNDS REQUIREMENTS – FIXED OVERHEAD		
2.6. OWN FUNDS REQUIREMENTS ON UNILATERAL ADJUSTMENT OF CREDIT EVALUATION	**18,525**	17,941
2.6.1. Advanced method		
2.6.2. Standard method	**18,525**	17,941
2.6.3. OEM method		
2.7. OTHER OWN FUNDS REQUIREMENTS	**27,661**	31,568

NOTE:
The heading 2 is equivalent to 8% of heading 60 of the transitional model of own funds, as set out in the annex.

By the end of 2015 and 2014, the Group had an own funds surplus, comparing with the respective own funds requirements, of 2,742 million euros and 2,410 million euros, respectively, as referred to in Table 8. As previously mentioned the group is no longer considered financial conglomerate, and therefore capital requirements were not calculated.

TABLE 8 – CAPITAL ADEQUACY

Euro thousand

	31/12/2015	31/12/2014
CET1 RATIO (%)	**13.3%**	12.0%
SURPLUS (+)/DEFICIT (-) OF CET1	**3,825,566**	3,169,717
T1 RATIO (%)	**13.3%**	12.0%
SURPLUS (+)/DEFICIT (-) OF T1	**3,175,834**	2,534,076
TOTAL RATIO (%)	**14.3%**	13.7%
SURPLUS (+)/DEFICIT (-) OF OWN FUNDS	**2,741,507**	2,409,678

4.3. LEVERAGE RATIO ON 31 DECEMBER 2015 AND 2014

The calculation of the regulatory leverage ratio is specified in article 429 of the CRR, modified by the Delegated Act no. 62/2015 of 10 October 2014.

An observation period has been introduced for this ratio, running from 1 January 2014 to 31 December 2017, in order to monitor the evolution of its components and its behaviour relative to the requirements based on each exposure type. A Pillar I requirement for the leverage ratio must be maintained from 1 January 2018 onwards.

The leverage ratio is defined as the proportion of Tier 1 capital (either in a phased-in or fully implemented mode) divided by the exposure measure, i.e. balance sheet and off-balance-sheet assets after certain value adjustments, related namely to intra-group exposures, to securities financing transactions (SFT's), to items deducted from the total capital ratio's numerator, and off-balance-sheet items, to account for different risk profiles of each type of exposure (in SFT's and derivatives add-ons for future risks are considered while in off-balance sheet items different CCFs are considered according to the risk of the exposure).

The following table shows the Group's leverage ratio, in a phased-in basis, as of 31 December 2015:

TABLE 9 – LEVERAGE RATIO ON 31 DECEMBER 2015

Euro thousand

	Leverage ratio common disclosure	CRR leverage ratio exposures
	ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND STF)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	73,886,965
2	(Asset amounts deducted in determining Tier 1 capital)	-36,720
3	TOTAL	73,850,244
	DERIVATIVES EXPOSURE	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	482,144
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	625,605
UE-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	
8	Exempted CCP leg of client-cleared trade exposures	
9	Adjusted effective notional amount of written credit derivatives	
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	
11	TOTAL	1,107,749
	SFT EXPOSURES	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	Netted amounts of cash payables and cash receivables of gross SFT assets	
14	Counterparty credit risk exposure for SFT assets	
UE-14a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429-B no.4 and 222 of Regulation (EU) No. 575/2013	
15	Agent transaction exposures	
UE-15a	Exempted CCP leg of client-cleared SFT exposure	
16	TOTAL	
	OTHER OFF-BALANCE SHEET EXPOSURES	
17	Off-balance sheet exposures at gross notional amount	12,221,331
18	Adjustments for conversion to credit equivalent amounts	-7,121,998
19	TOTAL	5,099,332
	EXEMPTED EXPOSURES IN ACCORDANCE WITH ARTICLE 429 (7) AND (14) OF REGULATION (EU) NO. 575/2013 (ON AND OFF BALANCE SHEET)	
UE-19a	Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) no. 575/2013 (on and off balance sheet)	
UE-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) no. 575/2013 (on and off balance sheet)	
20	TIER 1 CAPITAL	5,774,760
21	LEVERAGE RATIO TOTAL EXPOSURE MEASURE	80,057,326
	LEVERAGE RATIO	
22	Leverage ratio	7.2%
	CHOICE ON TRANSITIONAL ARRANGEMENTS AND AMOUNT OF DERECOGNISED FIDUCIARY ITEMS	
UE-23	Choice on transitional arrangements for the definition of the capital measure	
UE-24	Amount of derecognised fiduciary items in accordance with Article 429 (11) of Regulation (EU) no. 575/2013	

4.4. EVENTS WITH A MATERIAL IMPACT ON OWN FUNDS AND CAPITAL REQUIREMENTS IN 2016

The main events with recognized or possible material impact on own funds and capital requirements in 2016 are related with:

I) IMPACT OF THE TRANSITION TO THE CRD IV/CRR IN 1 JANUARY 2016:

On 26 June 2013, the European Parliament and Council approved, respectively, the 2013/36/EU Directive and EU Regulation no. 575/2013 (CRD IV/CRR), which established new and more stringent capital requirements to credit institutions with effect from 1 January 2014.

However, the CRD IV/CRR also establishes a maximum transitional period (phase-in) in which institutions can accommodate the new requirements, being the respective progression recognized in the day January 1 of each year during the granted period.

On 1 January 2016, the progression of the phase-in determined a reduction of 283 million euros in CET1 and 90 million euros in the risk weighted assets, decreasing the CET1 ratio by 63 basis points.

II) MERGE OF BANCO MILLENNIUM ANGOLA, S.A. WITH BANCO PRIVADO ATLÂNTICO, S.A.:

In the second quarter of 2016, the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico was concluded. The institution resultant from the merger, named Banco Millennium Atlântico, S.A., assumes itself as the second biggest Angolan private institution offering credit to the economy, with a market share of approximately 10% in turnover. This operation allowed the Bank to reinforce its expansion capacity in this market, creating the conditions to grow in an adverse context and, simultaneously, to adapt itself to the recent changes in supervisory equivalence. Millennium bcp's investment in this new entity stands at 22.5% of its share capital, being consolidated in the Bank accounts by the equity method. As at December 2015, and on a *pro forma* basis, the undertaking of this operation should increase the CET1 phased-in ratio to an estimated value of 13.7% (+0.4 percentage points).

4.5. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The Internal Capital Adequacy Assessment Process (ICAAP) is a key process for the Group's risk management, aiming at assessing the capital that is needed to adequately cover the risks in which the Group incurs by developing its current and projected business strategy for the medium term.

The results of the ICAAP process allow the Bank's management bodies, in particular the Board of Directors and the Executive Committee, to test if the Group's capitalization is adequate to the risks of the Group's activities and if the strategic plan and the budget are sustainable in the medium term and fall within the risk limits defined in the Risk Appetite Statement approved for the Group.

Recently, the BCP Group has upgraded the methodology that was being used for ICAAP, which consisted on the quantification of economic capital for a set of risks considered relevant, and adopted a methodology based on the stress testing tools and its corresponding impacts over the regulatory capital ratios, aligning with the industry trends.

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

The ICAAP is governed by an internal governance model that ensures the involvement of the Board of Directors and of its Commission for Risk Assessment, Executive Committee, Risk Committee and of top management, along the various stages of the process.

The first stage of this process is the identification of the material risks to which the Group's activity is subject. For this purpose, the Group uses a methodological approach based on an internal list of risks, covering more than 50 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

The Group integrates in the ICAAP process all risks considered under Basel's Pillar I, even if these do not attain levels that are considered to be material at Group level, and all other risks considered to be material.

Beyond the identification of the risks that should be incorporated in the ICAAP, the actions developed at this stage contribute for defining the variables to be considered for the establishment of the base and stressed scenarios, which takes place in the next stage.

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

The modelling of the stress scenario considered severity levels that are in line with the ones of the stress scenario that was defined for the Comprehensive Assessment exercise, promoted by the European Central Bank in 2014.

In the third stage, the impact of the main risks within the scope of its stress testing tools is modelled, having some risks been incorporated in this framework as a capital add-on, while other are considered in terms of their P&L impacts.

Within the ICAAP for 2015, the Group has considered as material the following risks:

Risks incorporated in the scenario models
Credit risk – Default, CCR
Credit risk – Transfer risk
Credit risk – Sovereign risk
Credit risk – Securitization
Market risk – Price risk
Financial margin risk
Operational risk
Real estate risk
Business risk – Insurance
Pension fund risk – Actuarial risk
Market risk – CVA risk
Market risk – FX risk related to equity holdings
Liquidity risk–Short-term and structural
Model risk – Regulations' changes risk
Legal risk – Litigation risk
Liquidity risk – Liquidity risk of assets
Regulation risk – Credit risk weighted assets (RWA) in CHF
Concentration risk – Single name exposures

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

After the estimation of impacts of the risks over the financial situation the consolidated balance-sheet – especially, in what concerns the Own Funds – the adequacy of the Group's Risk Taking Capacity (RTC) can be assessed.

The Group adopts a RTC level that is in line with the regulatory capital ratios defined by the CRD IV (Directive 2013/36/EU), the CRR (Regulation (EU) 575/2013) and Banco de Portugal's regulation Notice no. 6/2013, ensuring a conservative approach in what concerns the evolution of the projections of the consolidated own funds.

The ICAAP's results were tested against the limits approved by the Board of Directors, for the regulatory capital ratios, within the scope of the Group's Risk Appetite Statement, having concluded that the current capitalisation levels are adequate for a 3-year horizon, either under the base scenario or the stressed scenario.

5. CREDIT RISK

5.1. DEFINITIONS AND POLICIES FOR ASSESSMENT OF LOSSES AND PROVISIONING

Credit risk is associated with the potential losses and with the uncertainty concerning the expected returns due to the failure of the borrower – and of its guarantor, if there is one – or of the issuer of a security or of the counterparty of a contract in complying with their duties.

Past due loans, for accounting purposes, correspond to the global value of the credits and instalments due and not collected associated to credit agreements recognised in the balance sheet in any form whatsoever. Thus, are accounted in past due loans all the credits (capital) that have not been settled 30 days after their maturity date.

This framework also includes the capital instalments contractually foreseen for future periods but that, due to the non-payment of one of the instalments (of capital or of interests) may, in accordance with the law, be considered due and there are doubts on whether they will be paid.

Defaulted credit, for accounting purposes adopts the definition presented in the Banco de Portugal Instruction no. 16/2004, aggregating the credit due for more than 90 days and the credits with doubtful collection reclassified as past due loans for purposes of provisioning, as established by the provisos of Banco de Portugal Notice no. 3/95.

A loan, including its components of principal, interest and expenses, is considered to be “non-performing” whenever a previously established limit has been exceeded, whenever a contractual covenant has been breached or when an overdraft situation has occurred (with no previous approval and after its liquidation has been requested to the debtor). Materiality thresholds defined per Client segment are defined for the monitoring of credit risk.

The credit object of impairment analysis comprises all the exposures subject to credit risk where one has detected objective impairment evidence. Thus, it comprises the individual exposures of certain clients or counterparties and homogeneous groups of credits that are not considered individually significant in accordance with the conditions hereinafter described. However, this definition – consistent with the values presented in Table 15 “Breakdown of past due and impaired exposures” – does not include the exposures with losses incurred but not identified that are also provisioned in accordance with the Group’s policy in this matter and hereinafter detailed.

Concerning credit, the Group’s policy for purposes of provisioning the positions at risk object of impairment consists in the regular evaluation of the existence of an objective evidence of impairment in its books.

The losses due to impairment identified are registered against results being subsequently reversed into results in case the amount of the estimated loss is reduced in a subsequent period.

After the initial recognition, a credit or a Client’s credit portfolio, defined as a group of credits with similar risk features, may be classified as a portfolio with impairment when there is an objective evidence of impairment resulting from one or more events and when these have impact in the estimated amount of future cash-flows of the credit or of the Clients credit portfolio, able of being calculated in a reliable manner.

In accordance with the IAS 39 there are two methods to estimate the losses due to impairment: (i) individual assessment; and (ii) collective assessment.

(I) INDIVIDUAL ASSESSMENT

The individual evaluation of losses due to impairment is determined through an assessment, on a case by case basis, of the total credit exposure. For each credit deemed individually significant, the Bank assesses the objective evidence of impairment. The impairment losses assessment must be based on detailed information about the economic and financial situation of each client, to determine the debt servicing fulfilment capacity. In the case of labouring companies, the impairment analysis must also be based in the quantification of their cash-flow generation ability, by using prospective that allows for sensitivity analysis through the simulation of alternative scenarios. Also, all collateral and guarantees associated with each client’s exposure must be considered in the assessment of their recovery prospects.

The losses due to impairment are calculated by comparing the present value of the expected future cash-flows, discounted at the interest rate of each contract, with the accounting value of each credit, the losses being registered against gross income. The accounting value of the credits with impairment is presented net of impairment losses in the balance sheet.

(II) COLLECTIVE ASSESSMENT

The impairment losses based on the collective assessment are estimated by using two perspectives:

• For homogeneous groups of credits with objective signs of impairment but not considered individually significant; or

• In relation to incurred but not reported losses ("IBNR") in credits for which objective evidences of impairment do not exist.

Collective impairment losses are determined through the probability of a client defaulting (PD) within the loss recognition period (1 year) and on the loss associated to a defaulted client (LGD), considering the time in default. Both PD and LGD are estimated from the bank's own historical data.

The evaluation process of the credit portfolio's impairment is subject to several estimations and assessments. This process includes factors like the PD, the credit situation, the value of the collaterals related with each operation, the recovery rates and the estimations of future cash-flows and of the moment they are received. The methodologies and the assumptions used to estimate the cash-flows are regularly reviewed so as to monitor the differences between the losses estimations and the real losses.

In accordance with the Banco de Portugal Circular Letter no. 15/2009, the write-off of the credits is made when there is no realistic possibility of recovering the credits from an economic perspective and, for collateralised credits, when the funds coming from the use of the collaterals have already been received, by the use of impairment losses when these correspond to 100% of the value of the credits deemed as impossible to recover.

Concerning exposures towards financial instruments, it is made, on each balance date, an evaluation of the objective evidence of impairment is made. A financial asset or a group of financial assets is impaired whenever there is objective evidence of impairment, resulting of one or more events that occurred after its initial recognition, such as: (i) for listed securities, a continued or significant price devaluation, and (ii) for unlisted securities, when that event (or events) has an impact in the financial asset estimated future cash-flow value, that can be reasonably estimated. According to the Group's policies, 30% of devaluation of the fair value of an equity instrument is considered a significant devaluation and the one year period is assumed as a continued devaluation of the fair value below acquisition cost.

If impairment is detected in a financial asset available for sale, the accumulated loss (measured as the difference between the acquisition cost and the fair value, excluding impairment losses previously recognised against results) is allocated to fair value reserves and recognised in the results. If, in a subsequent period, the fair value of the debt instruments classified as financial asset available for sale increases and that increase may be objectively related with an event that occurred after the recognition of the impairment loss in the results, the impairment loss is reverted against results. The recovery from impairment losses recognised in equity instruments classified as financial assets available for sale is registered against fair value reserves when it occurs (not being reversed against results).

Finally, provisions are recognised when (i) the Group has a current liability (legal or deriving from practices or policies that imply the recognition of certain liabilities), (ii) it is likely that its payment is demanded and (iii) when a reliable estimation of the value of that liability can be made.

In cases where the discount effect is material, provisions are recorded, corresponding to the present value of expected future payments, discounted at a rate that reflects the risk associated with the liability.

The provisions are reviewed in the end of each reporting date and adjusted to show the better estimation, being reverted to results in the same proportion as unlikely payments. The provisions are derecognised by using them to pay the liabilities for which they have initially been made for or when the same are no longer required.

The allocations and recoveries of impairments and provisions with impact in the consolidated financial statements of 2015 and 2014 are shown in Table 10.

TABLE 10 – IMPACT OF IMPAIRMENT AND PROVISION CHARGES AND RECOVERIES ON RESULTS

Euro thousand

Impairment and provisions	2015	2014
Charges net of reversions and annulments	**973,461**	1,208,542
Recoveries	**-29,726**	-15,630
CHARGES NET OF RECOVERIES	**943,735**	1,192,912

NOTE:
Impairment and provision amounts result from amounts ascertained during financial consolidation, including those related to loans and advances to customers, other loans and advances to credit institutions, financial assets available for sale, other assets, warranties and other liabilities.

5.2. MANAGEMENT OF CONCENTRATION RISK

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document Credit Principles and Guidelines, approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity, after the same have been formally approved by the respective management bodies.

Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk:

- The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Groups of Clients";

- A "Group of Clients" is a group of Clients (individuals or companies) related among themselves, that represent a single entity from a credit risk standpoint, as follows: if one of those Clients is affected by adverse financial conditions it is likely that another Client (or all the Clients) of that group also experiences difficulties in servicing their debts;

- The relations between Clients that originate "Groups of Clients" include: the formal participation in an economic group, the evidence that there is a control relationship (direct or indirect) between Clients (including an individual's control over a company) or the existence of a significant business interdependence between Clients that cannot be altered in a near future;

- So as to control the concentration risk and limit the exposure to this risk, there are soft limits defined in view of the own funds (consolidated or for each entity of the Group);

- The Risk Office has, validates and monitors a centralised information process relating to concentration risk, with the participation of all the Group's entities.

The definition of the concentration limits previously mentioned is made based on the better judgement of the Risk Office, taking into consideration the specific situation of the Group's credit portfolio in what concerns the respective concentration and observing best market practices.

Besides, the definition of concentration limits itself (more specifically the several types of limits established) also identifies the types of concentration risk deemed relevant. The definition of the concentration limits of the Group takes into account all types of credit concentration risk mentioned in the Banco de Portugal Instruction no. 5/2011, namely:

- Two types of "major exposures", at Group level or at the level of each Group entity;

- The basis used to define major exposures and to estimate the limit-values of the concentration are the own funds levels (consolidated or individual, at the level of each Group entity);

- The concentration is measured, in case of direct exposures, in terms of net exposures (EAD x LGD, assuming that PD=1) relating to a counterparty or a group of counterparties;

- Concentration limits are defined for major exposures as a whole, for major exposures at Group's level or for major exposures of each entity;

- Sectorial limits and limits for country-risk are also defined.

Concerning the monitoring of the concentration risk, the Bank's management body and the Risk Committee are regularly informed on the evolution of the concentration limits and on major risks.

Thus, the quantification of the concentration risk in credit exposures (direct and indirect) involves, firstly, the identification of specific concentration and major exposure cases and the comparison of the exposure values in question versus the own funds levels expressed in percentages that are compared with the pre-defined concentration limits. For such, the Risk Office uses a database on credit exposures (the risk Datamart), regularly updated by the Group's systems.

It is also foreseen in the document mentioned above that if a certain limit is exceeded, that fact must be specifically reported to the members of the management body by the Credit Department and by the Risk Office, being that report accompanied by a remedy proposal. Usually, the remedies proposed will imply the reduction of the net exposure to the counterparties in question (by increasing the collaterals, for example) or by a replacement of a collateral (in the case of indirect credit exposures).

The control and management of concentration risk represent for the Group one of the main pillars of its risk mitigation strategy. It is in this context – and, particularly, in credit risk – that the Group is making an ongoing monitoring of potential or effective risk concentration events adopting, whenever justified, the preventive (or corrective) measures deemed necessary.

We must also highlight the continuity of the measures aiming at the progressive reduction of the concentration of credit in the major individual debtors, either by decreasing the credit exposure or increasing the collaterals provided in the credit operations. Moreover, we must also emphasise the reinforcement of the prudential criteria in the analysis and decision-making of financing proposals, particularly in what concerns the mitigation of sectorial concentration.

In 2015, the Group's Risk Office regularly sent internal reports to the Risk Committee, to the Audit Committee and to the Credit Risk Monitoring Committee, which significantly contributed towards the identification and correction of risk concentration (not only of credit concentration risk but also of other types of concentration related with other types of risk).

5.3. CHARACTERISATION OF THE EXPOSURES

The exposures taken into consideration for the estimation of the own funds requirements for credit risk comprise the banking book exposures registered in the consolidated balance sheet and in off-balance sheet accounts related, namely, with loans and advances to customers, other loans and advances to credit institutions, investments in financial instruments, the ownership of other assets, the guarantees and commitments assumed and hedging derivatives. These exposures do not include those handled within the scope of the trading portfolio but the ones related to securitisation.

The total of original exposures, corresponding to the respective gross value of impairments and amortisations attained 91,494 million euros, as at 31 December 2015, and 91,796 million euros as at 31 December 2014, including securitisations. Table 11 presents a breakdown of these amounts in accordance with the risk types defined by the Basel II Accord.

TABLE 11 – EXPOSURES BY RISK CLASS

Euro thousand

Risk classes	Original exposure		Original exposure (average)	
	31/12/2015	31/12/2014	2015	2014
STANDARDISED APPROACH	36,079,123	36,588,207	37,847,117	38,048,641
STANDARDISED APPROACH RISK CLASSES	36,079,123	36,588,207	37,847,117	38,048,641
Central governments or central banks	9,493,898	8,706,052	9,985,733	9,973,936
Regional governments or local authorities	689,819	719,651	688,079	333,836
Public sector entities	800,075	412,878	800,258	365,760
Multilateral development banks	47,987	80,971	67,460	79,102
International organizations				
Institutions	3,144,562	3,617,244	3,641,036	4,033,545
Corporates	7,925,777	10,155,147	8,546,122	10,243,086
Retail portfolio	2,157,351	2,327,401	2,301,672	2,441,273
Positions guaranteed by real estate	1,196,654	1,592,181	1,358,262	1,646,245
Past due items	970,363	990,561	1,045,324	979,355
High-risk regulatory categories items	1,707,993	1,513,711	1,585,888	1,474,589
Covered bonds	51,337		51,244	
Institutions and companies with short-term credit assessment				
Exposures on collective investment undertakings (CIUs)	763,157	814,794	777,692	814,933
Shares	380,768	392,351	394,233	439,282
Other items	6,749,382	5,265,267	6,604,115	5,223,699
SECURITISATION POSITIONS ON STANDARDISED APPROACH				
IRB APPROACH	55,414,615	55,208,276	55,967,851	56,344,763
NOT USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	1,784,072	1,977,132	1,912,545	1,919,906
Claims or contingent claims on central governments or central banks				
Claims or contingent claims on institutions				
Claims or contingent claims on corporates	1,784,072	1,977,132	1,912,545	1,919,906
USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	49,708,852	49,407,357	50,166,507	50,478,709
Claims or contingent claims on central governments or central banks				
Claims or contingent claims on institutions				
Claims or contingent claims on corporates	17,654,096	17,261,144	17,621,535	18,100,728
Retail claims or contingent retail claims	32,054,756	32,146,213	32,544,971	32,377,982
EQUITY POSITIONS	230,527	94,167	177,161	71,555
SECURITISATION POSITIONS	3,660,404	3,691,435	3,676,006	3,836,407
OTHER ASSETS NOT RELATED TO BOND LOANS	30,761	38,186	35,632	38,186
TOTAL	91,493,739	91,796,483	93,814,968	94,393,404

The geographical distribution of the Group's original risk positions at the end of 2015 and 2014 is provided in Table 12.

TABLE 12 – DISTRIBUTION OF EXPOSURES BY GEOGRAPHICAL AREA

Euro thousand

Risk classes	Portugal		Poland		Other	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
STANDARDISED APPROACH	**16,724,828**	17,145,052	**9,873,569**	8,738,162	**9,480,726**	10,704,993
RISK CLASSES	**16,724,828**	17,145,052	**9,873,569**	8,738,162	**9,480,726**	10,704,993
Central governments or central banks	**3,979,771**	4,515,992	**3,505,415**	2,623,754	**2,008,712**	1,566,305
Regional governments or local authorities	**563,321**	555,949	**125,309**	158,547	**1,189**	5,155
Public sector entities	**419,763**	368,914	**16,244**	15,294	**364,068**	28,669
Multilateral development banks					**47,987**	80,971
International organisations						
Institutions	**928,294**	869,822	**70,884**	258,548	**2,145,384**	2,488,874
Corporates	**2,507,826**	3,559,715	**2,819,265**	2,543,247	**2,598,686**	4,052,185
Retail portfolio	**184,119**	320,364	**1,491,149**	1,444,349	**482,084**	562,689
Positions guaranteed by real estate	**106,221**	379,749	**902,932**	935,713	**187,501**	276,719
Past due items	**331,116**	424,568	**457,843**	342,799	**181,404**	223,194
High-risk regulatory categories items	**959,219**	824,254			**748,774**	689,457
Covered bonds					**51,337**	
Institutions and companies with short-term credit assessment						
Exposures on collective investment undertakings (CIUs)	**756,558**	809,715			**6,600**	5,078
Shares	**294,077**	303,662	**531**	829	**86,159**	87,860
Other items	**5,694,544**	4,212,347	**483,996**	415,082	**570,842**	637,838
SECURITISATION POSITIONS ON STANDARDISED APPROACH						
IRB APPROACH	**45,230,812**	45,486,525	**7,093,243**	6,842,063	**3,090,560**	2,879,688
NOT USING OWN ESTIMATIONS OF LGD/OR CREDIT CONVERSION FACTORS	**1,605,580**	1,806,235			**178,491**	170,898
Claims or contingent claims on central governments or central banks						
Claims or contingent claims on institutions						
Claims or contingent claims on corporates	**1,605,580**	1,806,235			**178,491**	170,898
USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	**39,806,061**	39,887,874	**7,092,259**	6,840,447	**2,810,531**	2,679,036
Claims or contingent claims on central governments or central banks						
Claims or contingent claims on institutions						
Claims or contingent claims on corporates	**16,298,325**	16,071,186	**4,079**	3,281	**1,351,691**	1,186,677
Retail claims or contingent retail claims	**23,507,736**	23,816,688	**7,088,180**	6,837,166	**1,458,840**	1,492,359
EQUITY POSITIONS	**129,069**	63,830	**984**		**100,473**	28,721
SECURITISATION POSITIONS ON STANDARDISED APPROACH	**3,660,404**	3,691,435				
OTHER ASSETS NOT RELATED TO BOND LOANS	**29,698**	37,152			**1,064**	1,034
TOTAL	**61,955,641**	62,631,577	**16,966,812**	15,580,225	**12,571,286**	13,584,681

The sectorial distribution of the Group's original risk positions at the end of 2015 and 2014 is provided in Table 13.

TABLE 13 – DISTRIBUTION OF EXPOSURES BY ECONOMIC SECTOR

Euro thousand

Risk classes	31 December 2015							
	Mortgage credit	Services	Consumer credit	Construction	Other activ. – national	Other activ. – international	Wholesale business	Other
STANDARDISED APPROACH	17,569	5,053,841	1,752,230	639,543	13,737,357	555	1,048,227	13,829,800
RISK CLASSES	17,569	5,053,841	1,752,230	639,543	13,737,357	555	1,048,227	13,829,800
Central governments or central banks		1,506,017			7,654,861	223		332,798
Regional governments or local authorities		1,414			686,888			1,517
Public sector entities		405,069		2	366,873			28,131
Multilateral development banks		47,987						
International organisations								
Institutions		2,093,286			1,051,276			
Corporates (*)		651,402		364,923	3,157,809	105	741,530	3,010,007
Retail portfolio		74,465	1,489,246	48,444	217,841	124	75,320	251,910
Positions guaranteed by real estate (*)	13,897	160,147	5,860	84,525	298,058	104	164,172	469,892
Past due items	3,672	62,718	215,915	141,648	303,752		67,206	175,453
High-risk regulatory categories items								1,707,993
Covered bonds		51,337						
Institutions and companies with short-term credit assessment								
Exposures on collective investment undertakings (CIUs)								763,157
Shares								380,768
Other items			41,210					6,708,172
SECURITISATION POSITIONS								
IRB APPROACH	25,722,345	8,669,875	4,613,764	4,116,417	2,189,113	76	1,501,716	8,601,309
NOT USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS		110,301		135,189	91,504			1,447,077
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates		110,301		135,189	91,504			1,447,077
USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	25,722,345	7,643,441	4,613,764	3,704,398	1,712,699	65	1,078,388	5,233,750
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates		7,346,594		3,445,515	1,581,235	0	840,205	4,440,547
Retail claims or contingent retail claims	25,722,345	296,847	4,613,764	258,883	131,464	65	238,184	793,203
EQUITY POSITIONS								230,527
SECURITISATION POSITIONS		912,258		276,006	367,791	10	421,866	1,682,472
OTHER ASSETS NOT RELATED TO BOND LOANS		3,875		823	17,119		1,462	7,483
TOTAL	25,739,914	13,723,716	6,365,994	4,755,960	15,926,470	631	2,549,943	22,431,109

Euro thousand

Risk classes	31 December 2014							
	Mortgage credit	Services	Consumer credit	Construction	Other activ. national	Other activ. international	Wholesale business	Other
STANDARDISED APPROACH	367,113	3,959,023	1,863,417	388,500	19,708,288	546	292,659	10,008,661
RISK CLASSES	367,113	3,959,023	1,863,417	388,500	19,708,288	546	292,659	10,008,661
Central governments or central banks		224,248			8,252,971	188		228,644
Regional governments or local authorities		241			719,410			
Public sector entities		355,799			57,078			
Multilateral development banks		80,971						
International organisations								
Institutions		1,835,445			1,781,798			
Corporates (*)		1,288,046		291,539	6,791,429		217,050	1,567,083
Retail portfolio		38,881	1,628,470	45,238	496,256	81	38,973	79,501
Positions guaranteed by real estate (*)	222,128	92,482	7,089	8,812	1,187,371	277	9,639	64,382
Past due items	144,985	42,909	227,858	42,911	421,974		26,997	82,928
High-risk regulatory categories items								1,513,711
Covered bonds								
Institutions and companies with short-term credit assessment								
Exposures on collective investment undertakings (CIUs)								814,794
Shares								392,351
Other items								5,265,267
SECURITISATION POSITIONS								
IRB APPROACH	25,637,268	8,301,316	4,506,108	3,408,349	1,408,001	15	1,689,677	10,257,543
NOT USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS		143,235		154,099	94,806			1,584,992
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates		143,235		154,099	94,806			1,584,992
USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	25,637,268	7,269,045	4,506,108	3,010,028	989,708	15	1,236,213	6,758,972
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates		6,990,912		2,543,231	862,742	7	883,163	5,981,089
Retail claims or contingent retail claims	25,637,268	278,133	4,506,108	466,797	126,966	8	353,050	777,883
EQUITY POSITIONS								94,167
SECURITISATION POSITIONS		883,843		242,891	303,196		451,336	1,810,168
OTHER ASSETS NOT RELATED TO BOND LOANS		5,193		1,330	20,290		2,129	9,244
TOTAL	26,004,381	12,260,339	6,369,525	3,796,849	21,116,289	561	1,982,336	20,266,204

(*) The significant reduction of the exposure in the standardised approach reflects the implementation of the BdP recommendations in June 2015, which implied the exit of positions treated through the STD approach to the IRB approach (namely, those treated by the "SPV" and "DRAT Unrated" models).

The distribution of the Group's original risk positions by residual maturity term at the end of 2015 and 2014 is provided in Table 14.

TABLE 14 – DISTRIBUTION OF EXPOSURES BY RESIDUAL MATURITY

Euro thousand

	RM < 1 year		1 year < RM < 5 years		5 years < RM < 10 years		RM > 10 years	
Risk classes	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
STANDARDISED APPROACH	**12,066,642**	13,215,453	**10,633,423**	12,986,731	**7,287,158**	3,799,434	**6,091,900**	6,586,589
RISK CLASSES	**12,066,642**	13,215,453	**10,633,423**	12,986,731	**7,287,158**	3,799,434	**6,091,900**	6,586,589
Central governments or central banks	**3,876,406**	3,232,531	**2,801,354**	4,281,294	**2,783,455**	1,153,740	**32,683**	38,487
Regional governments or local authorities	**153,555**	106,738	**81,848**	101,451	**151,101**	165,724	**303,315**	345,738
Public sector entities	**131,370**	25,006	**299,236**	7,699	**183,581**	178,391	**185,888**	201,781
Multilateral development banks	**8**			8	**47,980**	48,925		32,039
International organisations								
Institutions	**1,788,885**	2,841,056	**388,341**	565,671	**893,414**	129,533	**73,922**	80,984
Corporates	**3,943,652**	4,628,834	**2,187,599**	3,567,794	**733,828**	750,254	**1,060,698**	1,208,265
Retail portfolio	**390,711**	522,387	**925,289**	967,864	**627,984**	563,341	**213,367**	273,808
Positions guaranteed by real estate	**338,313**	425,802	**398,523**	487,590	**279,787**	290,695	**180,031**	388,094
Past due items	**665,759**	588,355	**150,512**	122,343	**83,354**	87,638	**70,739**	192,225
High-risk regulatory categories items			**1,707,993**	1,513,711				
Covered bonds			**51,337**					
Institutions and companies with short-term credit assessment								
Exposures on collective investment undertakings (CIUs)							**763,157**	814,794
Shares							**380,768**	392,351
Other items	**777,984**	844,743	**1,641,391**	1,371,306	**1,502,674**	431,194	**2,827,333**	2,618,023
SECURITISATION POSITIONS								
IRB APPROACHES	**11,561,403**	14,599,787	**7,753,412**	7,171,586	**7,507,655**	4,941,185	**28,592,145**	28,495,719
NOT USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	**13,031**	301,598	**136,745**	157,413	**792,823**	214,307	**841,472**	1,303,815
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates	**13,031**	301,598	**136,745**	157,413	**792,823**	214,307	**841,472**	1,303,815
USING OWN ESTIMATIONS OF LGD AND/OR CREDIT CONVERSION FACTORS	**10,242,781**	13,058,175	**6,389,408**	5,800,842	**5,981,627**	3,880,507	**27,095,037**	26,667,833
Claims or contingent claims on central governments or central banks								
Claims or contingent claims on institutions								
Claims or contingent claims on corporates	**7,924,862**	10,492,235	**3,644,506**	3,053,394	**3,751,820**	2,028,870	**2,332,908**	1,686,644
Retail claims or contingent retail claims	**2,317,919**	2,565,940	**2,744,902**	2,747,448	**2,229,806**	1,851,637	**24,762,129**	24,981,189
EQUITY POSITIONS							**230,527**	94,167
SECURITISATION POSITIONS	**1,304,195**	1,231,658	**1,219,929**	1,206,529	**724,401**	836,822	**411,879**	416,426
OTHER ASSETS NOT RELATED TO BOND LOANS	**1,396**	8,357	**7,330**	6,802	**8,805**	9,549	**13,230**	13,479
TOTAL	**23,628,045**	27,815,240	**18,386,836**	20,158,316	**14,794,813**	8,740,619	**34,684,045**	35,082,308

The exposures due and those object of an impairment analysis, together with the balance of impairments and of the provisions made, as of 31 December 2015 and 2014, are presented in Table 15, detailing the main economic sectors and geographical areas to which the Group is exposed.

TABLE 15 – BREAKDOWN OF PAST DUE AND IMPAIRED EXPOSURES

Euro thousand

	Past due exposures		Exposures with impairment		Impairment and provisions	
Risk classes	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
TOTAL EXPOSURES	10,927,648	6,713,958	12,011,861	11,591,317	4,360,145	4,345,891
BREAKDOWN BY MAIN ECONOMIC SECTORS						
Mortgage credit	2,291,514	1,201,157	2,442,184	1,880,876	362,193	372,763
Services	2,987,935	799,747	3,393,415	3,567,945	1,059,419	1,129,554
Consumer credit	922,411	741,304	991,214	941,318	482,016	440,486
Construction	2,200,016	501,064	2,193,723	1,387,914	586,060	474,105
Other activ. – national	843,448	223,551	1,135,707	1,220,775	405,629	499,481
Other activ. – international					1	0
Wholesale business	246,726	1,685,140	248,302	283,229	134,262	152,889
Other	1,435,598	1,561,995	1,607,316	2,309,260	1,330,563	1,276,613
BREAKDOWN BY MAIN GEOGRAPHIC AREAS						
Portugal	10,097,046	6,102,613	10,919,901	10,560,051	3,795,663	3,324,981
Poland	649,046	436,871	608,673	540,911	339,456	323,578
Other	181,557	174,474	483,286	490,354	225,026	138,032

NOTE:
The variations presented by the items "Past due exposures" and Exposures with impairment", between 31 December 2014 and 2015, were influenced by the amendment of the default definitions used for prudential purposes in 2015.

Table 16 shows the evolution, from 2014 to 2015, of the balances of the items that justify the difference between the value of the original exposures and the net value under which the same are registered in the consolidated balance sheet: the impairments and provisions, on one hand, and the amortisations, on the other. The evolution registered in these balances is explained by allocations, utilisations, reversions, annulments and other adjustments.

TABLE 16 – IMPAIRMENT, PROVISIONS AND AMORTISATIONS

Euro thousand

	2015		Total	
	Impairment and provisions	Amortisations	2015	2014
OPENING BALANCE ON 1 JANUARY	4,345,891	1,125,263	5,471,155	5,369,965
Charges	1,635,161	48,188	1,683,349	1,565,599
Uses	-1,001,205		-1,001,205	-1,063,764
Re-adjustments/Cancellations	-661,700	-34,954	-696,654	-347,248
Other adjustments:	41,997	-22,470	19,527	-53,397
- Adjustment for exchange rate differences	54,739	-19,454	35,285	669
- Transfers of provisions	-12,734	-3,016	-15,750	-25,299
- Business combinations				
- Acquisitions and disposals of subsidiaries	-8		-8	-28,767
- Other				
CLOSING BALANCE ON 31 DECEMBER	4,360,145	1,116,027	5,476,172	5,471,155

NOTE:
The amounts of impairment and other provisions result from the financial consolidation (regulatory perimeter), including those related to loans and advances to customers, other loans and advances to credit institutions, financial assets available for sale, other assets, guarantees and other commitments. The aforementioned impairment and other provisions, as well as the amortisations related to tangible assets, are deducted from the original exposures, during the calculation of capital requirements.

5.4. OWN FUNDS REQUIREMENTS FOR CREDIT RISK

5.4.1. FRAMEWORK OF THE APPROACHES USED

As at 31 December 2014 and 2015, the Group determined the own funds requirements for credit risk in accordance with the authorisations granted by Banco de Portugal on the approach to estimate risk weighted assets (RWA).

For the portfolio that, on those dates, fitted the standardised approach, the original exposures were classified in line with regulatory risk classes according to the nature of the counterparty, to which specific weights are applied after carrying out some adjustments – such as the ones related with provisions and value corrections, due to the application of credit conversion factors (CCF), namely, in the case of off-balance sheet exposures, and those resulting from risk mitigation – thus finding the value of the risk weighed assets.

In the capital requirements calculation based on the standardised approach, the exposures are weighted according to the provisions of the CRR. In the risk class "Central Government and Central Banks", credit ratings of issuers or issues are used, provided they have been attributed by recognised credit rating agencies (ECAI – External Credit Assessment Institutions), for the purpose of determining the respective risk quality levels, as per which the corresponding risk weights are applied as defined by the CRR (no. 2 of article 114, Section 2, Chapter 2, Title II, Part III). Whenever the same issuer or issue has two or more risk evaluations, the second best rating attributed is used. The credit rating of the issuer is applicable to all of its operations, whereas the rating for a specific issue is only considered for that same issue. The ECAI used by the Group were Standard & Poor's, Moody's and Fitch Ratings. Exposures of unrated clients are treated in accordance with no. 1 of article 114, Section 2, Chapter 2, Title II, Part III of the CRR.

Regarding the risk class "Institutions", the risk weight of the exposures results from the existence of specific ratings and the exposures terms-to-maturity or from the existence of the sovereign rating at stake and the exposures original term, as defined by articles 119 to 121 of the CRR.

We underline that, regarding the risk classes "Central Government and Central Banks" and "Institutions", in Portugal, the Group uses the standardised approach, pursuant to the conditions for permanent partial use of such approach, defined by article 150, Section 1, Chapter 3, Title II, Part III of the CRR.

On 31 December 2014 and 2015, according to the authorisations granted by Banco de Portugal for the Group's activities in Portugal, the Bank used the internal ratings based approach for the exposure classes "Corporates" and "Retail Exposures" (in both cases, with own LGD estimates), "Equity exposures" and "Items representing securitisation positions". Regarding the Corporates exposure class, the exposures treated under the simplified rating system were weighted using the standardised approach. From 31 December 2012, also, according to the authorisations granted by Banco de Portugal and by KNF (Polish supervision authority) for the Group's activities in Poland, the Bank used the internal ratings based approach for "Retail Exposures" (with own LGD estimates), regarding the positions of individual clients guaranteed by residential real estate collateral and the retail renewable positions (QRRE – Qualified Retail Renewable Exposures).

For all the other geographies where the Group operates, the consolidated own funds requirements as at 31 December 2014 and 2015 were estimated following the standardised approach.

Also, in Portugal:

- Risk weighted assets as at 31 December 2015 for exposures to Customers that exceptionally did not receive an internal risk level were computed according to the standardised approach, considering a PD corresponding to risk grade 12 of the MasterScale;
- Within the Corporates risk class, the Bank used the standardised approach for a set of Special Purpose Vehicle (SPV) exposures, churches, sports clubs and other non-profit organisations, in accordance with Banco de Portugal's authorisation for a permanent partial use of this approach for these cases.

5.4.2. IRB APPROACH – PARAMETERS AND GENERAL INFORMATION

In the IRB Approach, the weight of exposures to determine the value of risk weighted assets is based on the PD corresponding to the various internal risk ratings of the Customers, using internal rating systems and models, adequate for each Customers segment/sub-segment.

In addition, in this approach, the computation of the risk weighted assets also uses the LGD – defined by regulations or estimated internally – as well as CCF factors on off-balance sheet exposures. On the IRB approach, the effect of the credit risk decrease by means of collaterals for credit exposures is incorporated into the estimate of risk weighted assets using the LGD parameters.

The internal ratings are given based on the Rating MasterScale, common to all the rating systems and models used, presented in Table 17.

TABLE 17 – RATING MASTERSCALE

Risk grades	Minimum PD	Maximum PD	Description
1	0.01%	0.05%	Maximum security (only for sovereign risks)
2	0.05%	0.07%	Superior quality
3	0.07%	0.14%	Very high quality
4	0.14%	0.28%	High quality
5	0.28%	0.53%	Very good quality
6	0.53%	0.95%	Good quality
7	0.95%	1.73%	Medium/high quality
8	1.73%	2.92%	Medium quality
9	2.92%	4.67%	Medium/low quality
10	4.67%	7.00%	Low quality
11	7.00%	9.77%	Very low quality
12	9.77%	13.61%	Conditioned access to credit
13 (*)	13.61%	27.21%	Weak signs of impairment
14 (*)	27.21%	100.00%	Strong signs of impairment
15 (*)	100.00%	100.00%	Default

(*) Processual risk grade; the presented values of Max. and Min. PD for RG 13 and 14 are indicative, being applied the observed PD.

The risk ratings attributed by the rating systems and models are valid for one year and are periodically revised/updated or whenever there are grounds to do so (e.g. requests for new loans or evidence of a decrease in the debtor's credit quality).

The Rating Division is solely responsible for risk ratings – a unit that is independent from the credit decision-making bodies and areas – even though most risk scores are granted by automatic decision-making models used for Customers that have exposure in the Retail Portfolio.

All Customers are rated, but the corresponding PD are only used to compute own funds requirements through the IRB approach for exposures that fit the risk classes for which Banco de Portugal authorised the use of this approach.

The rating models included in the various rating systems are regularly subject to validation, which was carried out in 2015 by the Models Audit and Validation Unit (MAVU), an independent unit from the units responsible for the development and maintenance of rating models. In addition, the MAVU is also responsible for ensuring that the Group's Rating MasterScale is up-to-date and correct.

The conclusions of MAVU's validation, as well as its amendment/improvement recommendations and proposals, are analysed and ratified by a specific Validation Committee, whose composition varies according to the type of model analysed. The proposals to amend the models originated in the Validation Committees are submitted to the approval of the Risk Committee.

Besides its responsibilities regarding the PD models and the Rating MasterScale, the MAVU is also responsible for validating the models used to estimate LGD and CCF parameters. Regarding these models, the Bank estimates them all based on the methods validated by Banco de Portugal within the scope of the process to approve the use of the IRB approach.

In terms of LGD parameters, the computation model used is based on the gathering and analysis of past data on credit risk losses, and all losses verified are computed and the various cash-flows underlying credit recovery processes are discounted, including financial losses.

CCF are estimated based on the analysis of data on the use of credit lines and limits within the time frame of one year prior to the defaults.

We also underline that there is a model owner for each credit risk model - PD, LGD and CCF – responsible for:

- Ensuring compliance with the regulatory requirements for storing input and output data;

- Ensuring the adequacy of the model's documentation, including the development documentation, development samples and all the documents regarding changes to model;

- Being the senior responsible in charge of all requests pertaining to the decision process based on the model;

- Changing the model whenever necessary;

- Ensuring the existence of monitoring processes;

- Ensuring the necessary support to the MAVU pursuant to the model validation work.

In addition, regarding the rating systems in which rating models are integrated, there is also a rating system owner, who is responsible for:

- Ensuring the necessary support to the MAVU within the scope of the analysis of the rating systems decision flow;

- Promoting the execution of changes to the rating system whenever necessary.

5.4.3. IRB APPROACH – "CORPORATES" RISK CLASS

In this risk class, the computation of own funds requirements using the IRB approach is based on the weights resulting from the risk assessment made by the Project Finance rating system and on the PD that correspond to risk ratings given by the Real Estate Promotion and the Corporates rating system.

In the first case, the Bank uses the Project Finance rating model, i.e. the mapping between the scoring of a specific questionnaire and one of four possible classifications (besides the possibility of default) for the risks in question, which then define the weights to be used in the computation of risk-weighted assets, in accordance with no. 5 of article 153, Sub-Section 2, Section 2, Chapter 3, Title II, Part III of the CRR.

In the second case, the Bank uses several rating models to grant risk scores (and the respective PD used to compute applicable weights): Large, Mid and Small Corporate models, models for Holdings of Economic Groups and for Investment Holdings, models for Real Estate Promotion Projects and Companies (in both cases, with specific approaches to investment or development cases), Real Estate Investment Funds model and Small Real Estate Companies/Small Real Estate Projects models.

The risk grades attributed by these models result from two evaluation components: a quantitative component (economic-financial grade, based on the Customer's accounting data) and a qualitative component, based on an evaluation template. The risk grade resulting from these two components may be adjusted (upwards or downwards) by checking several situations that are typified and pre-defined in specific internal regulations.

Finally, if the rating analyst proposes an override to the Client's Integrated Rating, this must be approved by the Rating Committee, resulting in the final rating. However, the overrides are not frequent.

Table 18 summarises these rating models and systems:

TABLE 18 – CORPORATES RATING MODELS AND SYSTEMS

Rating system for Projects	Rating model for Project Finance: scoring of specific questionnaire on the financial strength, the politic and regulatory frameworks, other features of the operation, the ability of sponsors/shareholders and the package of collaterals.
	Model for Real Estate Promotion Projects for sale/Model for Real Estate Promotion Projects for income/ Model for Real Estate Investment Funds: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for small Real Estate Projects: quantitative component + qualitative component + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
Rating system for Corporates	Large Corporate Model: quantitative component (quantitative score, based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on expert judgment and following sectorial rating matrixes that incorporate the sectors' risk) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Small and Mid Corporate Model: quantitative component (economic/financial grade based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on information gathered by the commercial area on specific templates for that purpose) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments
	Business Model for Real Estate Development/Model for Investment Companies/Real Estate Income: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for Small Real Estate Agents: quantitative component + qualitative component + adjustments stemming from pre-defined situations or from the identification of imminent risk evidence + adjustments stemming from Economic Group relations (e.g. parents vs. affiliates).

5.4.4. IRB APPROACH – "RETAIL" PORTFOLIO RISK CLASS

In this risk class, the risk-weighted assets calculation by the IRB approach is based on the PD that correspond to the risk scores given by the rating systems for Small Businesses and for Individuals.

In these rating systems, the attribution of risk scores is made using two types of automated decision models: (i) a behavioural model (TRIAD), based on the past financial data of the Customers at the Bank (executed by computer on a monthly basis), which is complemented by (ii) acceptance scoring models, used whenever the behavioural model does not apply (new Customers for instance) and defined based on the credit product the Customer wants or on the products the Customer already has.

In the Small Businesses Rating System, the TRIAD model is composed by two assessment grids that allow the model to fit the evaluated Customer's profile. In this rating system, as mentioned before, risk scores may also be granted by an acceptance scoring model designed for the segment in question.

In the Individuals Rating System, the TRIAD model is composed by four assessment grids defined based on the products already owned by the Customer, and the complementary acceptance scoring models are defined based on the credit product the Customer wants or on the products the Customer already has.

The rating systems and models used by the Bank for the Retail portfolio are broken down in Table 19:

TABLE 19 – RETAIL PORTFOLIO RATING MODELS AND SYSTEMS

Rating system for Small Business	TRIAD model – automatic decision based on Client financial behaviour and two scorecards (according to the Client profile). Application Scoring model for the Small Businesses (whenever TRIAD cannot be applied – e.g. new Clients).
Rating system for Individuals	TRIAD model – automatic decision based on Client financial behaviour and four scorecards (according to the products already owned by the Client). Application Scoring model for Individuals (whenever TRIAD cannot be applied – e.g. new Customers), for each intended product or for products already owned by the Client.

Own fund requirements for credit risk and counterparty credit risk originated by portfolios subject to the standardised approach, as at 31 December 2015 and 2014, are presented in Table 20.

TABLE 20 – OWN FUNDS REQUIREMENTS FOR CREDIT RISK AND COUNTERPARTY CREDIT RISK (STANDARDISED APPROACH)

Euro thousand

	31 December 2015									Total
	Risk weights									
	0%	10%	20%	35%	50%	75%	100%	150%	Other	
1. ORIGINAL EXPOSURE										
Central Governments or Central Banks	7,584,464				30		1,909,402	0	1	9,493,898
Regional Governments or Local Authorities			688,347		7		1,201		264	689,819
Public Sector Entities	401,472		24,185		16,174		358,240		4	800,075
Multilateral Development Banks	47,987									47,987
International Organisations										
Institutions			1,568,240		556,764		995,711	23,836	12	3,144,562
Corporates			6,487		26,279		7,764,271	43,417	85,322	7,925,777
Retail portfolio						2,156,616	735			2,157,351
Positions guaranteed by real estate					631,031	3,910	502,986		58,728	1,196,654
Past due items							686,535	283,828		970,363
High-risk regulatory categories items								1,497,443	210,550	1,707,993
Covered bonds			51,337							51,337
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							654,298	93,969	14,890	763,157
Shares							52,069		328,699	380,768
Other items	1,049,101		101,138		8,254		4,987,932	7,385	595,573	6,749,382
TOTAL ORIGINAL EXPOSURES	9,083,024		2,439,734		1,238,539	2,160,526	17,913,380	1,949,879	1,294,042	36,079,123
2. EXPOSURE (RESERVE BASE OF RISK WEIGHTS)										
Central Governments or Central Banks	8,206,114		4,120		2		1,979,214	0	1	10,189,452
Regional Governments or Local Authorities			492,141		7		934		264	493,346
Public Sector Entities	401,071		23,662		6,169		293,263		4	724,169
Multilateral Development Banks	47,987									47,987
International Organisations										
Institutions			1,673,657		520,552		244,502	1,231	12	2,439,953
Corporates			6,487		26,279		4,511,922	23,413	85,322	4,653,424
Retail portfolio						1,908,762	452			1,909,214
Positions guaranteed by real estate					630,110	1,714	289,682		58,442	979,948
Past due items							334,461	97,897		432,358
High-risk regulatory categories items								1,362,954		1,362,954
Covered bonds			51,337							51,337
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							653,457	93,715	9,545	756,717
Shares							35,047		328,699	363,746
Other items	1,049,101		101,138		8,254		3,582,529	7,385	595,573	5,343,979
TOTAL EXPOSURES	9,704,274		2,352,542		1,191,373	1,910,476	11,925,465	1,586,595	1,077,861	29,748,586

(Continues)

(Continuation)

Euro thousand

	31 December 2015									Total
	Risk weights									
	0%	10%	20%	35%	50%	75%	100%	150%	Other	
3. TOTAL CAPITAL REQUIREMENTS										
Central Governments or Central Banks			66		0		158,337	0	0	158,403
Regional Governments or Local Authorities			7,874		0		75		5	7,954
Public Sector Entities			379		247		23,461		0	24,086
Multilateral Development Banks										
International Organisations										
Institutions			26,779		20,822		19,560	148	0	67,309
Corporates			97		941		345,080	2,810	1,522	350,450
Retail portfolio						107,301	28			107,329
Positions guaranteed by real estate					23,857	96	22,131		1,592	47,676
Past due items							26,757	11,748		38,505
High-risk regulatory categories items								163,554		163,554
Covered bonds			821							821
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							52,277	11,246	840	64,362
Shares							2,804		65,740	68,544
Other items			1,612		252		286,390	886	116,826	405,965
TOTAL CAPITAL REQUIREMENTS			37,627		46,120	107,397	936,899	190,391	186,525	1,504,959

Euro thousand

	31 December 2014									Total
	Risk weights									
	0%	10%	20%	35%	50%	75%	100%	150%	Other	
1. ORIGINAL EXPOSURE										
Central Governments or Central Banks	7,302,747		497,381		108		905,813	2		8,706,052
Regional Governments or Local Authorities			719,459		4		41		147	719,651
Public Sector Entities	355,639		19,864		16,129		21,245			412,878
Multilateral Development Banks	80,971									80,971
International Organisations										
Institutions			2,436,799		612,682		538,393	29,368	2	3,617,244
Corporates			503		274		9,838,578	312,552	3,241	10,155,147
Retail portfolio	152					2,323,498	3,747		4	2,327,401
Positions guaranteed by real estate					715,836	37,099	608,228		231,018	1,592,181
Past due items					0		759,251	231,309	0	990,561
High-risk regulatory categories items								1,400,854	112,857	1,513,711
Covered bonds										
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							742,167	52,750	19,877	814,794
Shares							68,402		323,950	392,351
Other items	973,993		237,791		312		3,557,554	1,809	493,807	5,265,267
TOTAL ORIGINAL EXPOSURES	8,713,502		3,911,797		1,345,346	2,360,597	17,043,419	2,028,644	1,184,902	36,588,207
2. EXPOSURE (RESERVE BASE OF RISK WEIGHTS)										
Central Governments or Central Banks	7,535,736		501,146		68		920,968	2		8,957,920
Regional Governments or Local Authorities			478,188		4		41		147	478,380
Public Sector Entities	355,639		19,649		6,890		19,181			401,359
Multilateral Development Banks	80,971									80,971
International Organisations										
Institutions			1,833,568		563,971		518,907	29,368	2	2,945,815
Corporates			503		274		6,352,874	43,755	3,241	6,400,646
Retail portfolio	140					1,863,300	2,917		4	1,866,362
Positions guaranteed by real estate					713,262	33,701	380,574		230,757	1,358,294
Past due items					0		370,745	179,055	0	549,800
High-risk regulatory categories items								1,277,488		1,277,488
Covered bonds										
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							741,211	52,750	8,870	802,830
Shares							42,955		323,950	366,905
Other items	973,993		237,791		312		2,146,050	1,809	493,807	3,853,763
TOTAL EXPOSURES	8,946,479		3,070,845		1,284,781	1,897,001	11,496,424	1,584,228	1,060,777	29,340,534

(Continues)

(Continuation)

Euro thousand

	31 December 2014									Total
	Risk weights									
	0%	10%	20%	35%	50%	75%	100%	150%	Other	
3. TOTAL CAPITAL REQUIREMENTS										
Central Governments or Central Banks			8,018		3		73,677	0		81,699
Regional Governments or Local Authorities			7,651		0		3		3	7,657
Public Sector Entities			314		276		1,534			2,124
Multilateral Development Banks										
International Organisations										
Institutions			29,337		22,559		41,513	3,524	0	96,933
Corporates			8		11		494,944	5,251	36	500,250
Retail portfolio						104,655	180		0	104,835
Positions guaranteed by real estate					26,835	2,005	29,414		6,310	64,563
Past due items					0		29,660	21,487	0	51,146
High-risk regulatory categories items								153,299		153,299
Covered bonds										
Institutions and companies with short-term credit assessment										
Exposures on Collective Investment Undertakings (CIU)							59,297	6,330	781	66,407
Shares							3,436		64,810	68,246
Other items			3,804		10		171,678	217	98,383	274,092
TOTAL CAPITAL REQUIREMENTS			49,133		49,693	106,660	905,335	190,107	170,323	1,471,251

Own funds requirements for credit risk and counterparty credit risk originated by portfolios subject to the IRB approach, as at 31 December 2015 and 2014, are presented in Tables 21 – A, B, C and D, which reflect the different portfolios (Retail, Corporates, Specialised Lending and Equity positions).

TABLE 21-A – OWN FUNDS REQUIREMENTS FOR CREDIT RISK AND COUNTERPARTY CREDIT RISK (IRB APPROACH) – RETAIL

Euro thousand

Retail Portfolio	Internal ratings based system		Original exposure	Exposure at risk	LGD (average weighted by the exposure at risk) (%)	Own funds requirements		Memorandum items	
		PD buckets of customer risk grades (%)				**31/12/2015**	31/12/2014	Expected losses	Corrections and provisions
1. TOTAL EXPOSURES			32,054,756	30,169,298		**519,884**	525,122	1,125,805	-990,670
1.1. – Exposures related to Customers risk grades: Total									
Breakdown of exposures related to Customers risk grades[a]:	Risk grade: 1	0.01% to 0.05%							
	2	0.05% to 0.07%	213,338	70,339	33.79%	**149**	140	12	-23
	3	0.07% to 0.14%	6,844,404	6,628,381	28.13%	**30,365**	29,725	1,599	-3,025
	4	0.14% to 0.28%	6,803,471	6,360,075	21.80%	**42,778**	43,983	2,744	-1,978
	5	0.28% to 0.53%	4,261,275	4,018,174	23.48%	**47,019**	48,270	3,752	-2,262
	6	0.53% to 0.95%	2,728,502	2,605,109	24.79%	**47,298**	47,234	4,535	-2,606
	7	0.95% to 1.73%	2,091,339	1,963,777	25.23%	**52,442**	53,252	6,409	-1,914
	8	1.73% to 2.92%	1,341,053	1,266,463	25.32%	**47,440**	48,538	7,321	-1,399
	9	2.92% to 4.67%	1,057,254	1,035,341	24.78%	**50,131**	51,829	9,567	-2,094
	10	4.67% to 7.00%	970,620	854,462	24.01%	**50,929**	49,847	12,197	-1,579
	11	7.00% to 9.77%	537,255	462,165	24.44%	**33,067**	35,022	9,742	-886
	12	9.77% to 13.61%	1,296,147	1,057,669	23.37%	**79,313**	58,188	28,798	-4,870
	13 to 15	13.61% to 100.00%	3,910,098	3,847,344	28.82%	**38,952**	59,093	1,039,129	-968,031

[a] Ascending sort, in accordance to the average PD attributed to the risk grade of the Customer. The PD attributed to defaulted Customers equals 100%.
NOTE 1: This table doesn't include information related to the especialised lending, that is presented in Table 21-C.
NOTE 2: Risk grades and PD buckets presented in this table reflect the risk grades scale and corresponding PD of Millennium bcp's Rating MasterScale.

TABLE 21-B – OWN FUNDS REQUIREMENTS FOR CREDIT RISK AND COUNTERPARTY CREDIT RISK (IRB APPROACH) – CORPORATE

Euro thousand

Corporates		Internal ratings based system				Own funds requirements		Memorandum items	
		PD buckets of Customer risk grades (%)	Original exposure	Exposure at risk	LGD (average weighted by the exposure at risk) (%)	31/12/2015	31/12/2014	Expected losses	Corrections and provisions
1. TOTAL EXPOSURES			17.500.975	14.902.211		**838.121**	802.346	2.290.970	-2.031.590
1.1. – Exposures related to Customers risk grades: Total									
Breakdown of exposures related to Customers risk grades [a]:	Risk grade:1	0.01% to 0.05%							
	2	0.05% to 0.07%							
	3	0.07% to 0.14%	13,283	5,740	42.14%	**99**	124	2	-1
	4	0.14% to 0.28%	968,788	776,311	41.75%	**26,522**	19,118	648	-309
	5	0.28% to 0.53%	966,439	761,586	33.37%	**23,345**	9,081	1,010	-2,972
	6	0.53% to 0.95%	825,735	624,844	37.74%	**28,329**	31,454	1,648	-1,002
	7	0.95% to 1.73%	1,022,235	779,044	38.24%	**47,987**	45,044	3,865	-1,568
	8	1.73% to 2.92%	1,111,236	828,371	33.78%	**51,968**	41,520	6,424	-2,437
	9	2.92% to 4.67%	1,432,054	1,157,502	33.62%	**89,565**	101,119	14,385	-3,743
	10	4.67% to 7.00%	769,000	616,602	35.06%	**58,137**	35,401	12,749	-2,508
	11	7.00% to 9.77%	565,486	450,842	32.87%	**42,802**	70,439	12,280	-2,852
	12	9.77% to 13.61%	3,214,536	2,775,601	35.17%	**353,109**	269,580	112,117	-50,639
	13 to 15	13.61% to 100.00%	6,612,182	6,125,767	49.67%	**116,258**	179,465	2,125,842	1,963,558

[a] Ascending sort, in accordance to the average PD attributed to the risk grade of the Customer. The PD attributed to defaulted Customers equals 100%.
NOTE 1: This table doesn't include information related to the especialised lending, that is presented in Table 21-C.
NOTE 2: Risk grades and PD buckets presented in this table reflect the risk grades scale and corresponding PD of Millennium bcp's Rating MasterScale.
NOTE 3: This detail does not contain the exposures in which RWA estimation does not depend on the PD/LGD (e.g: Slotting Criteria or residual Leasing).

TABLE 21-C – OWN FUNDS REQUIREMENTS FOR SPECIALISED LENDING (IRB APPROACH)

Euro thousand

Risk weights	Original exposure		Own funds requirements	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
0%	**144,003**	143,050		
50%				
70%	**86,555**	146,920	**4,757**	8,207
of which: grade 1				
90%	**1,219,406**	1,332,440	**85,360**	93,501
115%	**294,164**	248,789	**26,503**	22,366
250%	**39,945**	105,933	**7,814**	21,476
TOTAL	**1,784,072**	1,977,132	**124,434**	145,550

TABLE 21-D – OWN FUNDS REQUIREMENTS FOR EQUITY POSITIONS (IRB APPROACH)

Euro thousand

Using own estimations of LGD and/or credit conversion factors		Internal ratings based system	Original exposure	Exposure at risk	LGD (average weighted by the exposure at risk) (%)	Own funds requirements		Memorandum items
		PD buckets of Customer risk grades (%)				**31/12/2015**	31/12/2014	Expected losses
1. PD/LGD APPROACH: TOTAL RISK EXPOSURES								
Breakdown of exposures related to Customers risk grades [a]:	Risk grade:1							
	2							
	3							
	4							
	5							
	...							
	...							
	...							
	n							
2. SIMPLE WEIGHT APPROACH: TOTAL EXPOSURES AT RISK			162,367	162,367		**46,500**	26,961	3,507
Breakdown of exposures per risk weight:	Risk weight: 190%							
	290%		24,380	24,380		**5,656**	3,309	195
	370%		137,987	137,987		**40,844**	23,652	3,312
3. IRB APPROACH								

[a] Ascending sort, in accordance to the average PD attributed to the risk grade of the Customer. The PD attributed to defaulted Customers equals 100%.

NOTE: : The own funds requirements identified in this table are identified in the point 2.1.2.3. of Table 7 – Own funds requirements.

6. COUNTERPARTY CREDIT RISK

The counterparty credit risk translates the risk of counterparties being unable to meet their liabilities resulting from securities contracts such as derivatives, for instance.

The Bank gives preference to the definition of limits to exposure to counterparty credit risk, bilateral contracts to guarantee exposures resulting from derivatives and the creation of collaterals within the scope of these agreements as preferred tools to mitigate counterparty credit risk.

The total exposure limit for counterparties that are not financial institutions in contracts subject to this type or risk is divided into two components: one for traditional credit operations (financial and/or signature) and another for treasury products.

The Manual Credit Regulations for Sovereigns and Financial Institutions defines the way in which the consumptions of the counterparty credit risk limits are determined. This calculation is made regularly based on the market value of the operations, to which a factor arising from the future potential variation of that same value is added, adjusting for the volatility and deadline of each operation.

The Bank has a policy of closing bilateral contracts to guarantee exposures resulting from OTC derivatives contracted with banks under the ISDA Master Agreement (ISDA – International Swaps and Derivatives Association).

In addition, an ISDA Master Agreement may frame the creation of collateral using an annex or ISDA Credit Support Document. As a template for the Credit Support Document, the Bank chose the Credit Support Annexes (CSA) contracts to guarantee the constitution, by the entity with net values payable in the future, of financial collaterals from the other party to guarantee the payment of these contractual obligations. In these contracts, the Bank (almost exclusively) accepts deposits in euros as collateral.

Finally, the Bank uses a framework agreement model of TBMA/ISMA (The Bond Market Association/International Securities Market Association) within the scope of the repo operations it carries out. This framework agreement, the Global Master Repurchase Agreement (GMRA), defines the repo transactions between the parties and regulates the creation of the collateral that guarantees the exposure.

Both in 2015 and in 2014, for the purposes of reducing counterparty credit risk, the Group used the financial collateral comprehensive method, as established in article 223, Section 4, Chapter 4, Title II, Part III of the CRR, and the mark-to-market method to calculate the future exposure in the relevant positions with credit risk, as defined in article 274, Section 3, Chapter 6, Title II, Part III of the CRR.

After estimating the exposures as at 2014 and 2015, the own funds requirements were computed, on one hand, according to Chapter 2, Title II, Part III of the CRR, for risk scores and portfolios that followed the standardised approach and, on the other hand, according to Chapter 3, Title II, Part III of the CRR, for the portfolios for which Banco de Portugal has authorised the IRB approach.

According to the mark-to-market method, the necessary values to calculate the exposure in the relevant positions have two components: (i) the market value of each operation and (ii) the percentage of the nominal to be applied as an add-on to that market value.

The market values of the operations are collected directly from the Bank's front-end application (Kondor+), in which the management and evaluation of the operations is carried out, whilst the add-on values to be applied are directly identifiable in Table I of paragraph c) of article 274, Section 3, Chapter 6, Title II, Part III of the CRR.

Table 22 shows own funds requirements for counterparty credit risk for exposures subject to the standardised approach, computed as at the end of 2015 and 2014.

TABLE 22 – OWN FUNDS REQUIREMENTS FOR COUNTERPARTY CREDIT RISK (STANDARDISED APPROACH)

Euro thousand

	Original net exposure	Credit risk mitigation techniques with substitution effects on the original net exposure [(a)]	Credit risk mitigation techniques with effect on the net exposure amount [(b)]	Fully adjusted exposure	Own funds requirements	
					31/12/2015	31/12/2014
Repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions						21
Derivatives	931,038			760,272	**29,468**	31,304
Contractual cross-product netting						

[(a)] Substitution effects in the exposure, corresponding to the net balance of outflows and inflows.
[(b)] Funded credit protection – comprehensive financial collateral approach.
NOTE:
Own funds requirements shown in this table are emphasized in the scope of item 2.1.1. of Table 7 – Own funds requirements.

Own funds requirements for counterparty credit risk for exposures subject to the IRB approach, computed as at the end of 2015 and 2014, are broken down in Table 23.

TABLE 23 – OWN FUNDS REQUIREMENTS FOR COUNTERPARTY CREDIT RISK (IRB APPROACH)

Euro thousand

	Original net exposure	Credit risk mitigation techniques with substitution effects on the original net exposure [(a)]	Credit risk mitigation techniques with effect on the net exposure amount [(b)]	Fully adjusted exposure	Own funds requirements	
					31/12/2015	31/12/2014
Repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions						
Derivatives	108,738			108,738	**13,483**	9,540
Contractual cross-product netting						

[(a)] Substitution effects in the exposure, corresponding to the net balance of outflows and inflows.
[(b)] Funded credit protection – comprehensive financial collateral approach.
NOTE:
Own funds requirements shown in this table are emphasized in the scope of item 2.1.2. of Table 7 – Own funds requirements.

As at 31 December 2015, the Group did not have any credit risk coverage operation in force.

The exposures to credit derivative instruments in the end of 2015 and 2014 are presented in the following table.

TABLE 24 – CREDIT DERIVATIVES

Euro thousand

Credit derivatives transactions	Long positions		Short positions	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
I. CREDIT PORTFOLIO (TOTAL):	**327,432**	316,260		
a) Credit default swaps	**327,432**	316,260		
b) Total return swaps				
c) Credit linked notes				
d) Other credit derivatives				
II. INTERMEDIATION ACTIVITIES (TOTAL):	**1,386,900**	1,446,060	**1,224,750**	1,233,250
a) Credit default swaps	**1,248,200**	1,253,200	**1,224,750**	1,233,250
b) Total return swaps		19,510		
c) Credit linked notes	**138,700**	173,350		
d) Other credit derivatives				

Long-term positions – theoretical value of acquired protection.

Short-term positions – theoretical value of the protection sold.

NOTES:

The intermediation activities mostly involve net sales of protection, via credit default swaps, to hedge the credit risk related to credit linked notes and other financial instruments issued by the Group.

The exposures listed in this table impact on the own funds requirements for counterparty risk, based on market value plus an add-on, with the respective amounts reflected in Tables 22 and 23 – Own funds requirements for credit risk and counterparty credit risk (standardised and IRB approaches, respectively).

7. CREDIT RISK MITIGATION TECHNIQUES

7.1. ELIGIBILITY AND TYPE OF MITIGATION INSTRUMENTS

The internal rules and procedures relative to credit risk mitigation meet the requirements defined in the CRD IV/CRR, reflecting also the experience of the Credit Recovery Departments (both Retail and Specialised) and the opinion of the Legal Division with respect to the binding character of the various mitigation instruments.

The relevant collateral and guarantees are grouped in the following categories:

- Financial collateral, real estate collateral and other collateral;
- Values receivable;
- First demand guarantees, issued by banks or other entities with Risk Grade 7 or higher in the Rating MasterScale;
- Personal guarantees, when the guarantors are classified as Risk Grade 7 or better;
- Credit derivatives.

The accepted financial collateral must also be transacted in a recognised stock exchange, that is, in an organised, liquid and transparent secondary market, with bid and offer prices, located in European Union countries, the United States of America, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to mention that Banco Comercial Português shares are not accepted as financial collateral for new credit operations, only being accepted within the scope of guarantees in already existing credit operations or within the scope of restructuring processes associated with credit recovery.

Regarding credit guarantees and derivatives, the principle of substitution of the Customer's grade of risk for the protection provider's risk grade (provided the latter's is better than the former's) is applied when:

- There are State guarantees, mutual guarantee companies or financial institutions guarantees;
- Personal guarantees or bails are provided (or, in the case of leasing operations, there is a supporting contractor);
- Mitigation is carried out through credit derivatives.

In derivative product operations carried out in financial markets with banking counterparties, the Bank, as a principle, has to support the same counterparties in bilateral compensation agreements (ISDA).

In addition, the Bank has followed the policy of complementing these agreements with Credit Support Annexes (CSA), which guarantee an effective reduction in the counterparty risk of the transactions, by demanding collateralisation with financial instruments of the net amounts payable by one of the counterparties.

7.2. PROTECTION LEVELS

For all credit operations, at the moment of credit decision, a protection level is attributed, taking into consideration the credit amount and the value and type of collateral involved. The protection level corresponds to the evaluation of the loss reduction in case of default based on the various types of collateral, considering the relationship between the market value of the collateral and the amount of exposure associated.

In the case of financial collateral, an adjustment of the value of protection is carried out through the application of a set of haircuts, so as to reflect the volatility of the price of the financial instruments. The haircuts considered are the following: (i) specific haircut of the collateral type (differentiating debt instruments according to maturity and the issuer risk or the shares included in a main index versus the shares listed in a recognised stock exchange, for example); (ii) seniority haircut of the instrument (senior debt, subordinated debt and highly subordinated debt and preferential shares); (iii) exchange rate haircut (when the currency of the collateral differs from the exposure currency); and (iv) fixed interest rate debt securities haircut (according to residual maturity).

7.3. COLLATERAL REVALUATION

FINANCIAL COLLATERAL

The market value of the financial collateral is automatically updated on a daily basis, through the existing computer connection between the collateral management system and information of the relevant financial markets.

REAL ESTATE: HOME MORTGAGES, COMMERCIAL MORTGAGES AND OTHERS

The procedures are based on the concept of value in terms of a mortgage guarantee, being centralised at the Evaluation Unit, regardless of the customer area (credit concession, credit recovery, real estate received as payment and leasing).

The appraisals and their respective revisions are, in general, carried out by external evaluation entities and ratified by the Bank's Evaluation Unit, and can also be carried out by an internal appraisal expert, irrespective of customer areas. In any case, they are object of a written report, in standardised digital format, taking into consideration the methods applied – income, cost and reversion and/or market comparison. The value obtained within the scope of the concept of market value and for the purposes of mortgage guarantee, according to the type of real estate in question, is also considered. Evaluations have been subject to a declaration/certification of an evaluation expert, as required by the CRD IV/CRR.

Relative to residential real estate, after the initial valuation and in compliance with the applicable regulations, the Bank monitors their respective values through indexes or the appraisals values are reviewed by expert valuers within the established requirements:

- If the amount of the credit operation that benefits from the mortgage is in excess of 500 thousand euros, the value is revised by an expert valuer, every three years;

- If the value of the credit operation that benefits from the mortgage is under 500 thousand euros, the value is monitored using market indexes, every three years. Whenever this monitoring finds a significant decrease (above 10%), the valuation must be reviewed by an expert valuer.

For all non-residential real estate properties, the Bank also monitors the value using market indexes and promotes the review of their respective appraisal value with the minimum periodicity defined by the applicable regulations in the case of offices, warehouses and industrial properties.

All real estate properties (residential or not) for which the monitoring shows a value decrease of more than 10% are subsequently object of an appraisal review by an expert valuer.

For all other real estate properties (e.g. building sites, commercial property, farmlands) there are no market indexes available to monitor their value after the initial appraisals. Thus, in these cases, real estate properties values are reviewed by external expert valuers, within the minimum regularity established by the applicable regulations.

The indexes used are provided to the Bank by a specialised external entity, which has collected and handled the database from which these stem for over a decade.

The appraisals review according to the regulatory requirements is mostly carried out by external expert valuers.

Table 25 summarises the impact, as at 31 December 2015, of the risk mitigation techniques used by the Group, within the scope of the standardised approach, effective in terms of both the substitution of risk positions and of the amount of those risk positions per risk class

TABLE 25 – CREDIT RISK MITIGATION TECHNIQUES – STANDARDISED APPROACH

Euro thousand

		Credit risk mitigation techniques with substitution effects on the original net exposure					Credit risk mitigation techniques with effect on the net exposure amount: funded credit protection [a]	
	Net exposure	Personal credit protection: fully adjusted value of the protection (GA)		Funded credit protection		Substitution effect on the exposure (net of outflows and inflows)	Volatility adjustment to the exposure amount	Financial collateral: amounts adjusted by volatility and any discrepancy between expiration periods (Cvam) (-)
		Guarantees	Credit derivatives	Simple method: financial collaterals	Other forms of funded credit protection			
TOTAL EXPOSURES	35,548,360	-813,019				138,921		-581,511
Central Governments or Central Banks	9,489,980	-817				718,504		
Regional Governments or Local Authorities	688,454	-249,782				-166,941		
Public Sector Entities	794,361	-12,899				-12,899		-2,967
Multilateral Development Banks	47,987							
International Organisations								
Institutions	3,144,545					145,126		-47,874
Corporates	7,811,098	-543,878				-543,878		-443,876
Retail portfolio	2,132,147	-20				-20		-54,617
Positions guaranteed by real estate	1,182,891	-971				-971		-31,351
Past due items	604,260	-4,651						-825
High-risk regulatory categories items	1,707,993							
Covered bonds	51,337							
Institutions and companies with short-term credit assessment								
Exposures on Collective Investment Undertakings (CIU)	763,157							
Shares	380,768							
Other items	6,749,382							

[a] Comprehensive financial collateral method. Exposure amount shall mean the net exposure after the substitution effect.

Tables 26-A and 26-B summarise the impact, with reference to 31 December 2015, of the credit risk mitigation techniques used by the Group under the IRB approach, in terms of the substitution of exposures and the actual amount of exposures, by risk class.

TABLE 26-A – CREDIT RISK MITIGATION TECHNIQUES – TOTAL EXPOSURES – IRB APPROACH

Euro thousand

		Credit risk mitigation techniques with substitution effects on the original exposure				Credit risk mitigation techniques with impact on the LGD estimation, excluding the treatment related to simultaneous default					Treatment related to simultaneous default
	Original exposures	Personal credit protection		Other forms of funded credit protection	Substitution effect on the exposure (net of outflows and inflows)	Using own estimations of LGD: Personal credit protection		Funded credit protection			Personal credit protection
		Guarantees	Credit derivatives			Guarantees	Credit derivatives	Using own estimations of LGD: other	Eligible financial collateral	Other eligible collateral [(a)]	
TOTAL EXPOSURES	51,492,923	-1,516,290			-138,921				1,001,560	27,150,795	
Claims or contingent claims on Corporates	19,438,167	-207,461			-108,673				622,524	3,474,472	
Retail claims or contingent retail claims	32,054,756	-1,308,828			-30,248				379,037	23,676,323	

[(a)] "Other eligible collateral" include "real estate", "other tangible guarantees" and "amounts due for collection".

TABLE 26-B – CREDIT RISK MITIGATION TECHNIQUES – EQUITY POSITIONS – IRB APPROACH

Euro thousand

	Original exposures	Credit risk mitigation techniques with substitution effects on the original net exposure		
		Personal credit protection		Substitution effect on the exposure (net of outflows and inflows)
		Guarantees	Credit derivatives	
PD/LGD based approach (total)				
Simple weight based approach (total)	162,367			
Internal ratings based approach (total)				

Credit risk mitigation techniques (personal and real credit protection), with reference to 31 December 2015 and 2014, are analysed in Table 27, considering the main sectors of activity focused on.

TABLE 27 – CONCENTRATION ANALYSIS: PERSONAL AND FUNDED CREDIT PROTECTION

Euro thousand

	31 December 2015							
	Personal credit protection		Funded credit protection					Other forms of funded credit protection
			Eligible (financial) collateral		Other forms of eligible collateral			
	Guarantees	Credit derivatives – Simple method	Simple method	Comprehensive financial collateral method	Real estate	Other tangible guarantees	Amounts due for collection	
TOTAL POSITIONS COVERED	2,282,282			1,486,911	27,844,841			
Mortgage loans	1,023,935			27,823	23,534,424			
Services	105,143			255,290	1,327,479			
Consumer credit	60,479			257,262	96,843			
Construction	55,551			22,417	1,046,140			
Other domestic activities	408,252			710,957	539,180			
Other foreign activities	47			47	103			
Wholesale business	48,932			49,934	128,085			
Other	579,943			163,181	1,172,587			

Euro thousand

	31 December 2014							
	Personal credit protection		Funded credit protection					Other forms of funded credit protection
			Eligible (financial) collateral		Other forms of eligible collateral			
	Guarantees	Credit derivatives – Simple method	Simple method	Comprehensive financial collateral method	Real estate	Other tangible guarantees	Amounts due for collection	
TOTAL POSITIONS COVERED	1,826,764			2,052,809	29,214,530			
Mortgage loans	1,056,488			24,947	23,904,628			
Services	91,308			292,305	1,782,788			
Consumer credit	68,325			242,388	107,398			
Construction	59,492			27,175	628,165			
Other domestic activities	292,223			1,246,470	911,066			
Other foreign activities				14	277			
Wholesale business	44,178			33,260	151,353			
Other	214,750			186,251	1,728,856			

8. EQUITY EXPOSURES IN THE BANKING BOOK

The Group holds equity exposures in the banking book, characterised by stability and with the objective of creating value. The holding of these positions, including shares and risk capital fund units, complies with at least one of the following objectives:

- The development of entities or projects of strategic interest for the Group;
- Generating a return or opportunities for growth of the banking business;
- The development of entities with valuation potential;
- Making entities with the capacity to recover viable, including, namely, shares received as payment or by converting credits into capital.

The exposures to equity in the banking book are initially recognised at fair value, including gains and losses associated with the transactions, and are afterwards valued at their fair value, based on the following hierarchy of criteria: market price listed in regulated and active market or, in its absence, based on external valuations made by independent entities, duly recognised, or based on the worth measurement input from transactions deemed valid between counterparties with good repute.

Changes in the fair value of these equities are registered against fair value reserves until they are sold or register impairment losses.

When sold, accrued gains or losses recognised in fair value reserves are registered under "Results from available for sale financial assets" on the financial statements. The treatment associated with the recognition and reversion of these assets' impairment losses is described in chapter "5.1. Definitions and policies for determining losses and coverage". Dividends are recognised under earnings when the rights to receiving them are attributed.

The equity exposures in the banking book are analysed in Table 28, as follows:

TABLE 28 – EQUITY EXPOSURES IN THE BANKING BOOK

Euro thousand

	Listed shares		Unlisted shares – Private equity		Other capital instruments [*]		Total		
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	
Acquisition cost/Notional amount	**55,676**	45,982	**167,773**	132,702	**24,076**	24,076	**247,525**	202,759	
Fair value	**24,582**	17,536	**136,418**	86,450	**32,179**	28,694	**193,179**	132,680	
Market price									
Gains or losses arising from sales and settlements in the period							**5,790**	5,095	[1]
Total unrealised gains or losses							**47,697**	8,473	[2]
Total latent revaluation gains or losses							**-54,346**	-70,079	[3]

NOTE: Equity issued by the Bank, as well as derivatives indexed to those instruments are not included.
[*] Venture capital funds, similar to equity according to Banco de Portugal.
[1] Gains or losses arising from sales and settlements in the period: results before taxes.
[2] Total unrealised gains or losses: reports the amount of the fair value reserves in this portfolio on the reporting dates, doesn't therefore incorporate eventual impairments or goodwill related to the respective securities; corresponds to potential accounting capital gains/losses for this portfolio, to be booked to the profit and loss account in case of divestment.
[3] Total latent revaluation gains or losses: difference between the fair value and the acquisition cost of the securities in the portfolio on the reporting dates. Reflects the total gains/losses underlying the shares of the investment portfolio; however, part of the unrealised losses may have already been recognised, via results or reserves (namely by impairment or goodwill).

Within the scope of the approval by Banco de Portugal for the use of IRB methodologies, the Group used the simple weight method to compute own funds requirements for the equity in the banking book held by Group entities headquartered in Portugal, with effects as from 31 December 2011, having extended the use of this method to exposures held by Bank Millennium entities in Poland, with effects as from 31 December 2012. Own funds requirements for other operations and countries are still determined using the standardised approach.

The simple computation applies 290% and 370% weights to exposures to listed and unlisted stocks, respectively, and one may apply a lower weight (190%) to risk exposures resulting from shareholdings in unlisted companies included in portfolios that are sufficiently diversified. In addition, shares that were already in the portfolio on 31 December 2007 are exempt from this computation until 31 December 2017 and are subject to a single 100% weight during this period of time, identical to the standardised approach.

Own funds requirements for exposure to equity in the banking book are presented in Table 29.

TABLE 29 – OWN FUNDS REQUIREMENTS FOR EQUITY EXPOSURES

Euro thousand

	Risk weights	Risk positions		Own funds requirements	
		31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
STANDARDISED APPROACH	100%	**32,190**	38,513	**2,575**	3,081
IRB APPROACH [(1)]		**160,989**	94,167	**46,092**	26,961
Listed shares	290%	**24,380**	14,262	**5,656**	3,309
Unlisted shares	370%	**136,609**	79,905	**40,436**	23,652
TOTAL		**193,179**	132,680	**48,668**	30,042

[(1)] Based on the simple weight based approach; equities held by 31 December 2007 (risk weighted for 100%, as a result of the use of the applicable exemption) were included within the positions whose capital requirements are calculated according to the standardised approach.

NOTE: Own funds requirements shown in this table are emphasized in the scope of item 2.1.1.1.15. and 2.1.2.3. of Table 7 – Own funds requirements.

9. SECURITISATION OPERATIONS

9.1. DESCRIPTION OF THE ACTIVITIES AND OPERATIONS

On 31 December 2015, the Group had six ongoing credit securitisation operations originated by the operation in Portugal.

Since 1998, the Group has regularly carried out securitisation operations supported on portfolios of different types of assets and pursuing different goals, based on market conditions and opportunities and on the Group's interests and needs.

We underline that, until 2007, all the operations made were placed in the market with institutional investors. Taking advantage of the conditions of a favourable market framework, this group of operations – involving mortgage loans, car loans, consumer loans and companies' loans – was carried out with the purpose of supplementing a more efficient management of the Bank's balance sheet, particularly its equity. The type of investors that participated in these operations has revealed to be diverse and supplementary for the base of investors resulting from the Bank's direct funding operations in the money markets.

After 2007, market conditions to place this kind of assets deteriorated significantly. Thus, the Bank began retaining in its books the totality of the bonds issued within the scope of each credit securitisation operation (from the senior tranche to the first loss tranche). So as to maximise its liquidity, the Bank used the senior tranche of each operation carried out as an eligible asset for refinancing operations with the Eurosystem. The securitisations carried out in this context have been liquidated as the Bank's liquidity position was improving. In December 2015, the Bank held in its portfolio only residual portions of market transactions, which were placed on the market and are still under way.

Taking advantage of market conditions and in particular the appetite for risk originated in Portugal, the Bank carried out, in 2013 and 2014, two synthetic securitisations, which embodied the hedge of a significant portion of its short, medium and long-term corporate loan portfolio (Caravela SME No. 3) and of its leasing portfolio (Caravela SME No. 4). These transactions were aimed at reducing risk weighted assets associated with those portfolios, achieved through an effective transfer of risk to specialized institutional investors.

As an investor, the Group does not hold significant positions in credit securitisation operations.

In general, the entity of the Group that acts as Originator (BCP, in most cases) also intervenes as Servicer and, usually, as Transaction Manager.

The main features of the securitisation operations with assets originated by the Group, namely in terms of goal, form and level of involvement, the existence or not of a significant risk transfer in each transaction and of securitised securities and debt, for active operations as at 31 December 2015, are summarised in Table 30.

TABLE 30 – DESCRIPTION OF SECURITISATION OPERATIONS

	MAGELLAN No. 1
Identification of the securitisation operation	Magellan Mortgages No. 1 Limited
Initial objective of the securitisation operation	Securing funding and risk management [(2)]
Form of the securitisation operation	Traditional securitisation
Degree of involvement in the respective process	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	18 December 2001
Legal maturity	15 December 2036
Step-up clause (date)	15 December 2008
Revolving (years)	N.A.
Securitised assets (in million of euros)	1,000.0
Significant credit risk transfer [(1)]	No

	MAGELLAN No. 2
Identification of the securitisation operation	Magellan Mortgages No. 2 Limited
Initial objective of the securitisation operation	Securing funding and risk management (2)
Form of the securitisation operation	Traditional securitisation
Degree of involvement in the respective process	Credit lender (Banco Comercial Português, S. A. and Banco de Investimento Imobiliário, S. A.)
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	24 October 2003
Legal maturity	18 July 2036
Step-up clause (date)	18 October 2010
Revolving (years)	N.A.
Securitised assets (in million of euros)	1,000.0
Significant credit risk transfer (1)	No

	MAGELLAN No. 3
Identification of the securitisation operation	Magellan Mortgages No. 3 Limited
Initial objective of the securitisation operation	Securing funding and risk management
Form of the securitisation operation	Traditional securitisation
Degree of involvement in the respective process	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	30 June 2005
Legal maturity	15 May 2058
Step-up clause (date)	15 August 2012
Revolving (years)	N.A.
Securitised assets (in million of euros)	1,500.0
Significant credit risk transfer (1)	No

	MAGELLAN No. 4
Identification of the securitisation operation	Magellan Mortgages No. 4 Limited
Initial objective of the securitisation operation	Securing funding and risk management
Form of the securitisation operation	Traditional securitisation
Degree of involvement in the respective process	Credit lender
	Manager of the assigned credits
	Escrow bank of the Securitisation Credit Fund
	Transaction Manager
Start date	13 July 2006
Legal maturity	20 July 2059
Step-up clause (date)	20 July 2015
Revolving (years)	N.A.
Securitised assets (in million of euros)	1,500.0
Significant credit risk transfer (1)	No

	CARAVELA SME No.3
Identification of the securitisation operation	Caravela SME No. 3
Initial objective of the securitisation operation	Reduction of the RWAs associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
Degree of involvement in the respective process	Originator of the securitised assets
	Manager of the assigned credits
	Counterparty of the Credit Default Swap
Start date	28 June 2013
Legal maturity	25 March 2036
Step-up clause (date)	N.A.
Revolving (years)	4 years
Securitised assets (in millions of euros)	2,383.0
Significant credit risk transfer (1)	Yes

	CARAVELA SME No.4
Identification of the securitisation operation	Caravela SME No. 4
Initial objective of the securitisation operation	Reduction of the RWAs associated with the portfolio
Form of the securitisation operation	Synthetic securitisation
Degree of involvement in the respective process	Originator of the securitised assets
	Manager of the assigned credits
	Counterparty of the Credit Default Swap
Start date	5 June 2014
Legal maturity	25 September 2043
Step-up clause (date)	N.A.
Revolving (years)	5 years
Securitised assets (in millions of euros)	1,000.0
Significant credit risk transfer (1)	Yes

(1) For regulatory purposes.

(2) The Class A Notes of this operation, in 31 December 2015, could be pledged by the Bank as collateral within the Eurosystem in the scope of its financing operations.

The main features of the asset securitisation operations originated in the Group at the end of 2015 and 2014 are summarised in Table 31.

TABLE 31 – MAIN CHARACTERISTICS OF THE SECURITISATION OPERATIONS

	Traditional							
	MAGELLAN 1		MAGELLAN 2		MAGELLAN 3		MAGELLAN 4	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
INFORMATION ON THE TRANSACTIONS								
Amounts in debt (in millions of euros)	**141**	164	**169**	193	**451**	493	**497**	540
INFORMATION ON THE INVOLVEMENT OF THE LENDER INSTITUTION								
Implicit support situations	**N.A.**	N.A.	**N.A.**	N.A.	**Yes(*)**	Yes(*)	**N.A.**	N.A.
Assets assigned (per institution)/ Securitised assets (total)(%)	**3%**	4%	**4%**	4%	**10%**	11%	**11%**	12%
Initial gains/Value of first loss positions held	**N.A.**	N.A.	**N.A.**	N.A.	**N.A.**	N.A.	**N.A.**	N.A.

	Synthetic			
	Caravela SME 3		Caravela SME 4	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
INFORMATION ON THE TRANSACTIONS				
Amounts in debt (in millions of euros)	**2,260**	2,251	**988**	979
INFORMATION ON THE INVOLVEMENT OF THE LENDER INSTITUTION				
Implicit support situations	**N.A.**	N.A.	**N.A.**	N.A.
Assets assigned (per institution)/ Securitised assets (total) (%)	**50%**	49%	**22%**	21%
Initial gains/Value of first loss positions held	**N.A.**	N.A.	**N.A.**	N.A.

N.A.– Not Applicable.
* During 2010, the Bank repurchased 82.4% of Magellan No. 3 residual note. This transaction has been accomplished at fair market value (30 million euros), but has been considered as an implicit support situation for regulatory purposes.

9.2. GROUP ACCOUNTING POLICIES

The Group fully consolidates Special Purpose Entities (SPE) resulting from securitisation operations originated in Group entities and resulting from credit assignments operations, when the relation with such entities indicates that the Group controls their activities, regardless of the shareholding owned by it. Besides these SPE resulting from securitisation operations and from credit assignments operations, no additional SPE have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

The assessment of the existence of control is made based on the criteria defined by SIC 12, analysed as follows:

- The SPE's activities are being mainly carried out in favour of the Group, according to its specific business needs, so that the Group benefits from the operation of the SPE;
- The Group has the power to decide to obtain most of the benefits of the SPE's activities, or, by establishing auto-pilot mechanisms, the entity delegated such decision-making powers;
- The Group has the right to obtain most of the benefits of the SPE's activities and is therefore exposed to the SPE's underlying risks;
- The Group holds most residual or property risks of the SPE or its assets, so as to benefit from its activities.

Due to the difficulty in determining if an SPE is controlled, we assess if the Group is exposed to the risks and benefits of the activities of the SPE and if it has the decision-making powers in that SPE. The decision on whether an SPE must be consolidated by the Group requires the use of premises and estimates to verify the residual gains and losses and determine who holds most of those gains and losses. Other assumptions and estimates could result in differences in the consolidation perimeter of the Group, with a direct impact on results.

Within the scope of the application of such policy, the accounting consolidation perimeter included the SPE resulting from securitisation operations: Magellan No. 2 and 3. On the other hand, the Group did not consolidate into its accounts the SPE that also resulted from the securitisation operations Magellan No. 1 and 4.

Regarding these SPE, not recognised in the balance sheet, we were able to verify that the associated risks and benefits were substantially transferred, since the Group does not hold securities issued by the SPE in question with exposure to most residual risks, nor is it in any other manner exposed to the performance of the credit portfolios.

On 28 June 2013 was concluded a synthetic securitisation operation Caravela SME No. 3, associated to a corporate loan portfolio, mostly small and medium sized enterprises (SME) or individual entrepreneurs.

Banco Comercial Português, S.A. completed, in June 2014, the execution of a new securitisation transaction (Caravela SME No. 4) concerning a pool of leasing contracts to companies and sole-partnerships, amounting to 1,000 million euros.

Regarding the SPE included in the consolidation perimeter, if it is determined that the control exercised by the Group over their activities has ceased, namely pursuant to the sale of the most subordinated securities issued by them, the SPE will no longer be consolidated. In this case, since the law determines that the management of loans granted remains within the Group, we will maintain their registry in the off balance sheet items.

At the moment the assignment of the assets associated with securitisation operations, the Group registers a gain or a loss in the income statement if the SPE is not consolidated from the beginning, corresponding to the difference between the value of the sale of the assets and their accounting value. In the other cases, if the SPE is consolidated, there are no gains or losses in the initial moment.

If while an operation is active, whose SPE is consolidated, the Group will sell part or all the securities held, registering a gain or loss that: (i) if the SPE is consolidated, it will be associated with the sale of the securities issued, incorporated in liabilities as a premium or discount and accrued according to the effective rate until maturity or, (ii) if the SPE is not consolidated with due grounds, will result from the sale of the assets, which will be derecognised, and the sale will be recognised in the consolidated income statements.

9.3. OWN FUNDS REQUIREMENTS

On 31 December 2015, the Group held securitisation positions both as an investor and as an originator entity. For some of the securitisation positions as an originator there was no significant credit risk transfer, according to the criteria defined in the CRR, articles 243 and 244, Section 2, Chapter 5, Title II, Part III and, therefore, the own funds requirements were determined as if these securitisations had not occurred.

The computation of risk-weighted assets of the securitisation operations by the end of 2015 was made according to Section 3, Chapter 5, Title II, Part III of the CRR.

For the securitisation positions held as an investor, with an external rating attributed by an ECAI, a ratings based method was used, in accordance to article 261, Sub-Section 4, Section 3, Chapter 5, Title II, Part III of the CRR and using the mapping between external ratings and credit quality grades from Annex III of Banco de Portugal Instruction no. 10/2007. The exposures without external rating were subject to a 1.250% weight.

The ECAI used in 2015 to compute risk-weighted assets for securitisation operations were Standard & Poor's, Moody's and Fitch Ratings.

For the securitisation positions held as an originator, the supervisory formula method was used, in accordance to article 262, Sub-Section 4, Section 3, Chapter 5, Title II, Part III of the CRR.

The own funds requirements for securitisation operations computed according to the IRB approach, at the end of 2015 and 2014, are shown in Tables 32-A and 32-B.

TABLE 32-A – OWN FUNDS REQUIREMENTS FOR SECURITISATION OPERATIONS: IRB APPROACH (TRADITIONAL)

Euro thousand

Traditional securitisation	Total amount of the originated securitised exposure (for the lender institution)	Fully adjusted exposure value	Breakdown of the exposure amount subject to weighting (2+3) by a risk weight higher or equal to 100%							Own funds requirements	
				Internal ratings approach		1.250%		Regulatory formula approach	Internal evaluation approach		
			Amounts deducted from own funds (-)	12%-18%	100%	Position subject to notation	Position not subject to notation	Average risk weight (%)	Average risk weight (%)	**31/12/2015**	31/12/2014
TOTAL EXPOSURES (=A+B+C)		6,903			6,903					**1,463**	1,871
A – LENDER ENTITY: TOTAL EXPOSURES											
A.1 – Balance sheet items											
Most senior											
Mezzanine											
First loss											
A.2 – Off-balance sheet items and derivatives											
A.3 – Early amortisation											
B – INVESTOR: TOTAL EXPOSURES		6,903			6,903					**1,463**	1,871
B.1 – Balance sheet items		6,903			6,903					**1,463**	1,871
Most senior		6,903			6,903					**1,463**	1,871
Mezzanine											
First loss											
B.2 – Off-balance sheet items and derivatives											
C – SPONSOR: TOTAL EXPOSURES											
C.1 – Balance sheet items											
C.2 – Off-balance sheet items and derivatives											

Note: Own funds requirements shown in this table are emphasized in the scope of item 2.1.2.4. of Table 7 – Own funds requirements.

TABLE 32-B – OWN FUNDS REQUIREMENTS FOR SECURITISATION OPERATIONS: IRB APPROACH (SYNTHETIC)

Euro thousand

Synthetic securitisation	Total amount of the originated securitised exposure (for the lender institution)	Fully adjusted exposure value	Breakdown of the exposure amount subject to weighting (2+3) by a risk weight higher or equal to 100%									Own funds requirements	
				Internal ratings approach		1.250%		Regulatory formula approach		Internal evaluation approach			
			Amounts deducted from own funds (-)	20% - 35%	100%	Position subject to notation	Position not subject to notation		Average risk weight (%)		Average risk weight (%))	**31/12/2015**	31/12/2014
TOTAL EXPOSURES (=A+B+C)	3,653,501	3,345,579						3,345,579	13			**30,435**	44,036
A – LENDER ENTITY: TOTAL EXPOSURES													
A.1 – Balance sheet items													
Most senior													
Mezzanine													
First loss													
A.2 – Off-balance sheet items and derivatives													
A.3 – Early amortisation													
B – INVESTOR: TOTAL EXPOSURES	3,653,501	3,345,579						3,345,579	13			**30,435**	44,036
B.1 – Balance sheet items	3,345,579	3,037,658						3,037,658	13			**25,509**	38,984
Most senior	3,029,112	3,029,112						3,029,112	0			**16,963**	16,963
Mezzanine	305,785												
First loss	10,682	8,545						8,545	13			**8,545**	22,021
B.2 – Off-balance sheet items and derivatives	307,922	307,922						307,922	0			**4,927**	5,052
C – SPONSOR: TOTAL EXPOSURES													
C.1 – Balance sheet items													
C.2 – Off-balance sheet items and derivatives													

Note: Own funds requirements shown in this table are emphasized in the scope of item 2.1.2.4. of Table 7 – Own funds requirements.

On 31 December 2015 and 2014 there were no additional amounts of risk weighted exposures of securitisation of revolving exposures with early amortisation provisions.

10. OWN FUNDS REQUIREMENTS OF THE TRADING BOOK

The trading book is composed of positions held with the purpose of obtaining short-term gains, via sales or revaluations. These positions are actively managed and rigorously and frequently evaluated.

In a letter dated 30 April 2009, Banco de Portugal authorised the Group to use the internal models approach to compute own funds requirements in terms of generic market risk of the trading book.

This authorisation encompassed all the sub-portfolios of the trading book that are part of the perimeter that is centrally managed from Portugal, which includes all the trading operations related with financial markets and products, namely those carried out by Banco Comercial Português, S.A.

Thus, as at 31 December 2015 and 2014, own funds requirements for generic market risks of the Group's trading book were calculated in accordance with the internal models approach for generic risk, within the universe of entities centrally managed from Portugal. For the remaining entities, the own funds requirements were calculated in accordance with the standardised approach. With regards to specific risk, the standardised approach was used for all eligible positions.

Table 33 shows own funds requirements associated with the Group's trading book as at 31 December 2015 and 2014, by type of risk.

TABLE 33 – OWN FUNDS REQUIREMENTS FOR THE TRADING BOOK

Euro thousand

	31/12/2015	31/12/2014
TOTAL TRADING BOOK RISKS (=∑(1. TO 3.))	125,460	108,942
1. EXPOSURE RISK (=∑(1.1. TO 1.2.))	82,509	68,077
1.1. Standardised approach for the trading book (=∑(1.1.1. to 1.1.6.))	4,659	3,088
1.1.1. Debt instruments	4,532	2,923
1.1.1.1. Specific risk	2,288	1,989
1.1.1.2. General risk	2,216	933
1.1.1.3. Non-linear risk	29	
1.1.2. Equity securities	127	165
1.1.2.1. Specific risk	96	165
1.1.2.2. General risk	31	
1.1.1.3. Non-linear risk		
1.1.3. Collective investment undertakings (CIU)		
1.1.4. Exchange-traded futures and options		
1.1.5. Futures and options traded in OTC markets		
1.1.6. Other		
1.2. Internal models approach for the trading book	77,850	64,989
2. COUNTERPARTY CREDIT RISK (=∑(2.1. TO 2.3.))	42,951	40,865
2.1. Sales/purchases with repurchase/resale agreement, securities or commodities lending or borrowing transactions, long-term settlement transactions and margin lending transactions		21
2.2. Derivative instruments	42,951	40,844
2.3. Contractual cross-product netting		
3. SETTLEMENT RISK		

Note: Own funds requirements shown in this table are emphasized in the scope of items 2.2., 2.3.1.1. and 2.3.1.2. and 2.3.2. of Table 7 – Own funds requirements.

10.1. CALCULATION METHODOLOGIES

The calculation of own funds requirements for generic market risk, via the standardised approach, was based on the following methodologies, according to the specific type of financial instrument:

- Debt instruments: In this portfolio, own funds requirements for generic market risk were calculated in accordance with the duration-based approach, as defined by article 340, Section 2, Chapter 2, Title IV, Part III of the CRR. These positions have been treated in accordance to the provisions of Section 1 of the same chapter.

- Capital instruments: For this portfolio, own funds requirements for generic market risk were calculated in accordance with the methodology described in Section 3, Chapter 2, Title IV, Part III of the CRR.

In addition, for the purposes of application of the internal models approach, the Group applies a VaR (Value at Risk) methodology to measure generic market risk – including interest rate risk, foreign exchange risk and equity risk – for all sub-portfolios covered by the previously mentioned authorisation for internal modelling.

Table 34 presents the main generic risk VaR statistics, computed according to the internal models approved by Banco de Portugal, exclusively for the group of entities managed from Portugal, in 2015 and 2014:

TABLE 34 – HISTORICAL RECORD OF GENERIC RISK IN THE TRADING BOOK (PORTUGAL)

Euro thousand

	2015	2014
Maximum	**10,009**	13,513
Average	**4,060**	4,268
Minimum	**856**	1,732
Amount 31/12	**1,555**	5,212

Note: VaR 10 days with 99% unilateral confidence level.

Own funds requirements for specific market risk continued to be calculated in accordance with the standardised approach, including those of the sub-trading books regarding which Banco de Portugal authorised the use of the internal models approach to calculate the generic market risk, as previously mentioned.

These requirements were determined, for the total positions of the Group's trading book, pursuant to Sub-Section 1, Section 2, Chapter 2, Title IV, Part III and article 342 of Section 3, Chapter 2, Title IV, Part III of the CRR, according to the type of financial instruments at stake (debt instruments or capital instruments, respectively).

10.2. STRESS TESTS ON THE TRADING BOOK

Besides calculating the VaR, aiming at identifying the concentration of risks not captured by that metric and to assess other possible losses, the Group continually tests a wide set of stress scenarios on the trading book, analysing the results of those stress tests.

Table 35 summarises the results of these tests on the Group's global trading book on 31 December 2015, indicating that the exposure to the various risk factors is limited and that the main risk to account for, under the standard scenarios tested, is an increase in interest rates, especially when accompanied by an increase in the slope of the yield curve.

TABLE 35 – STRESS TESTS OVER THE TRADING BOOK

Euro thousand

Tested scenarios with reference to 31 December 2015	Negative results scenarios	Result
Parallel shift of the yield curve by +/- 100 b.p.	+ 100 b.p.	-3.2
Change in the scope of the yield curve (for maturities from 2 to 10 years) by +/- 25 b.p.	+ 25 b.p.	-0.9
4 possible combinations of the previous 2 scenarios	+ 100 b.p. and + 25 b.p.	-5.2
	+ 100 b.p. and -25 b.p.	-2.4
Variation in the main stock market indices by +/- 30%	-30%	-0.2
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-1.8
Variation in the swap spreads by +/- 20 b.p.	-20 b.p.	-0.7

Non-standard tested scenarios with reference to 31 December 2015	Negative results scenarios	Result
Widening/Narrowing of the Bid-Ask Spread	Narrowing	-16.3
Customised scenario (1)		-19.2
Historical scenarios (2)	07/04/2011	-1.9
	22/09/2011	-15.6

(1) The main historical risk factors (within a 3 year horizon) are applied as a simulation over the current portfolio, so that the potential impacts of those factors are measured.
(2) In these scenarios, past crises market changes are applied over the current portfolio; in the cases at stake, there was great volatility of the Portuguese public debt yields.

10.3. BACKTESTING THE INTERNAL MODELS APPROACH

The Group carries out backtests of the results of the internal models approach, in relation to the theoretical results obtained by the target portfolio of the calculation, unchanged between two consecutive working days and revaluated at market prices of the second day. In parallel, the Group has a complementary process to verify the results of the model in relation to the actual results obtained, excluding the effects of operations carried out via intermediation (at prices different from market prices).

The evaluation of financial assets and liabilities included in the trading book is carried out by a unit that is totally independent from the negotiation of those assets, and the control of the evaluations was assured, in 2015, by the Models Audit and Validation Unit. The evaluation and control procedures are documented in the Group's internal regulations. The segregation between position-taking and position-evaluation duties is also contemplated at the level of information technology systems that intervene in the global process involving the management, evaluation, settlement and accounting of operations.

In what concerns the ex-post verification of the model's results, the number of excesses registered between 2013 and 2015, relative to the global trading book of companies centrally managed from Portugal, for which Banco de Portugal has approved the use of the internal models approach to compute generic risk capital requirements, are shown in Table 36.

TABLE 36 – BACKTESTING OF THE VAR APPROACH APPLIED IN MARKET RISK CALCULATION

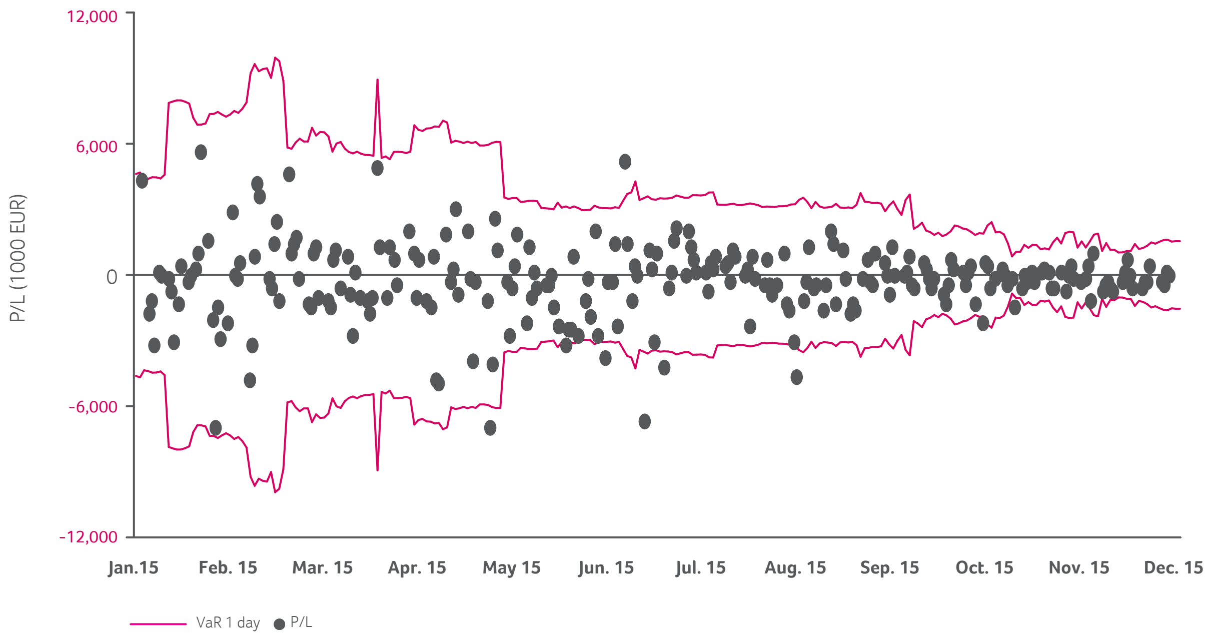
Year	Result
2013	2
2014	1
2015	5 (*)

NOTE: The model used for the purpose of *a posteriori* verification is focused on the excesses occurred in both sides of the distribution and the expected number of excesses, according to the significance level applied, is 5 per year (2% x 250 annual observations).
(*) Negative excesses.

The adequacy of the model used to estimate generic risk is monitored on a daily basis by the backtesting process that compares the risk values computed on a given day (VaR) with the (theoretical) result of applying the following day's market rates to those exposures.

The following chart shows this hypothetical backtesting for the trading book centrally managed from Portugal, in 2015.

GRAPH 1 – VAR HYPOTHETICAL BACKTESTING TRADING BOOK PORTUGAL



According to Graph 1, there were five negative excesses in 2015 (and one positive excess) over the hypothetical results of the model. This is above the expected number of excesses but stems from a short period of extreme volatility in some of the markets in which the Group holds positions, and from the way that volatility is incorporated by the model. Hence, this was not considered to be a direct indication of the model's inadequacy or under-performance.

In addition, Table 37 presents the detailed results of the daily backtesting of the trading book managed from Portugal in 2015. An excess occurs when the return registered for the portfolio is higher (in absolute value) than the theoretical result of the VaR model:

TABLE 37 – HYPOTHETICAL BACKTEST OF THE TRADING BOOK PORTUGAL – 2015

Euro thousand

Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result
02/01/2015	4,654	4,534	06/03/2015	6,587	-948	13/05/2015	3,563	-517
05/01/2015	4,718	-1,605	09/03/2015	6,571	-975	14/05/2015	3,503	617
06/01/2015	4,392	-1,010	10/03/2015	6,385	-1,275	15/05/2015	3,543	2,079
07/01/2015	4,431	-3,145	11/03/2015	5,684	827	18/05/2015	3,541	-2,016
08/01/2015	4,502	339	12/03/2015	6,056	1,228	19/05/2015	3,361	1,419
09/01/2015	4,495	103	13/03/2015	6,124	-447	20/05/2015	3,384	-832
12/01/2015	4,445	-63	16/03/2015	5,824	953	21/05/2015	3,412	200
13/01/2015	4,615	-616	17/03/2015	5,665	-768	22/05/2015	3,418	-450
14/01/2015	7,925	-2,950	18/03/2015	5,602	-2,707	25/05/2015	3,396	-357
15/01/2015	7,991	-1,143	19/03/2015	5,676	203	26/05/2015	3,090	-245
16/01/2015	8,044	596	20/03/2015	5,585	-831	27/05/2015	3,072	112
19/01/2015	8,042	-166	23/03/2015	5,529	-968	28/05/2015	3,056	-1,354
20/01/2015	7,982	159	24/03/2015	5,525	-1,650	29/05/2015	3,022	-2,153
21/01/2015	7,898	433	25/03/2015	5,493	-874	01/06/2015	3,329	-3,017
22/01/2015	7,238	1,200	26/03/2015	9,001	5,086	02/06/2015	3,103	-2,292
23/01/2015	6,923	5,857	27/03/2015	5,391	1,474	03/06/2015	3,155	-2,351
26/01/2015	6,930	1,716	30/03/2015	5,460	-850	04/06/2015	3,085	932
27/01/2015	6,980	-1,937	31/03/2015	5,331	1,485	05/06/2015	3,155	-2,606
28/01/2015	7,410	-6,792	01/04/2015	5,668	908	08/06/2015	3,085	-1,027
29/01/2015	7,419	-1,366	02/04/2015	5,672	-347	09/06/2015	2,985	39
30/01/2015	7,511	-2,854	07/04/2015	5,662	2,129	10/06/2015	2,987	-1,745
02/02/2015	7,392	-2,113	08/04/2015	5,616	1,208	11/06/2015	3,005	2,209
03/02/2015	7,292	3,093	09/04/2015	5,675	-854	12/06/2015	3,188	-2,681
04/02/2015	7,391	97	10/04/2015	6,895	892	15/06/2015	3,110	-3,653 (2)
05/02/2015	7,556	-36	13/04/2015	6,684	-1,012	16/06/2015	3,081	-215
06/02/2015	7,468	686	14/04/2015	6,636	-1,392	17/06/2015	3,078	-168
09/02/2015	7,657	-4,618	15/04/2015	6,747	1,059	18/06/2015	3,066	1,583
10/02/2015	7,947	-3,110	16/04/2015	6,760	-4,617	19/06/2015	3,118	-2,236
11/02/2015	9,298	1,038	17/04/2015	6,842	-4,886	22/06/2015	3,093	5,430 (3)
12/02/2015	9,714	4,356	20/04/2015	6,824	2,065	23/06/2015	3,415	1,524
13/02/2015	9,386	3,728	21/04/2015	7,108	-118	24/06/2015	3,730	-1,038
16/02/2015	9,484	-52	22/04/2015	7,024	355	25/06/2015	3,805	500
17/02/2015	9,521	-498	23/04/2015	6,097	3,207	26/06/2015	4,307	58
18/02/2015	9,082	1,617	24/04/2015	6,177	-713	29/06/2015	3,454	-6,536 (4)
19/02/2015	10,009	2,544	27/04/2015	6,145	2,194	30/06/2015	3,533	1,358
20/02/2015	9,853	-1,080	28/04/2015	6,080	37	01/07/2015	3,621	425
23/02/2015	8,955	4,746	29/04/2015	6,140	-3,813	02/07/2015	3,491	-2,905
24/02/2015	5,871	1,201	30/04/2015	6,080	-128	03/07/2015	3,466	1,142
25/02/2015	5,814	1,638	04/05/2015	6,124	-1,108	06/07/2015	3,533	-4,055 (5)
26/02/2015	6,100	1,807	05/05/2015	5,966	-6,868 (1)	07/07/2015	3,519	-496
27/02/2015	6,279	7	06/05/2015	5,964	-3,891	08/07/2015	3,526	226
02/03/2015	6,149	-1,112	07/05/2015	5,991	2,787	09/07/2015	3,557	1,710
03/03/2015	6,148	-1,292	08/05/2015	6,089	1,254	10/07/2015	3,661	2,303
04/03/2015	6,780	1,185	11/05/2015	6,131	-193	13/07/2015	3,610	71
05/03/2015	6,423	1,462	12/05/2015	6,122	-2,628	14/07/2015	3,558	2,162

(Continues)

(Continuation)

Euro thousand

Date	VaR	Hypothetical result	Date	VaR	Hypothetical result	Date	VaR	Hypothetical result
15/07/2015	3,560	1,389	16/09/2015	3,313	-108	18/11/2015	1,714	284
16/07/2015	3,676	838	17/09/2015	3,322	-284	19/11/2015	1,450	-407
17/07/2015	3,671	219	18/09/2015	3,289	1,159	20/11/2015	1,930	-496
20/07/2015	3,664	230	21/09/2015	2,934	748	23/11/2015	1,988	198
21/07/2015	3,681	-580	22/09/2015	3,203	146	24/11/2015	1,963	-628
22/07/2015	3,799	683	23/09/2015	3,389	-692	25/11/2015	1,262	87
23/07/2015	3,804	464	24/09/2015	3,036	1,390	26/11/2015	1,544	576
24/07/2015	3,247	1,005	25/09/2015	2,766	142	27/11/2015	1,264	43
27/07/2015	3,233	581	28/09/2015	3,452	73	30/11/2015	1,544	-141
28/07/2015	3,231	748	29/09/2015	3,705	279	01/12/2015	1,856	38
29/07/2015	3,255	-167	30/09/2015	2,129	996	02/12/2015	1,903	526
30/07/2015	3,280	1,269	01/10/2015	2,237	-357	03/12/2015	1,104	-1,020
31/07/2015	3,214	948	02/10/2015	2,406	-470	04/12/2015	1,468	1,087
03/08/2015	3,222	83	05/10/2015	2,048	682	07/12/2015	1,157	-667
04/08/2015	3,256	374	06/10/2015	1,972	429	08/12/2015	1,159	-313
05/08/2015	3,294	-2,264	07/10/2015	1,847	33	09/12/2015	1,036	-198
06/08/2015	3,260	959	08/10/2015	1,945	-418	10/12/2015	1,041	-513
07/08/2015	3,215	-6	09/10/2015	1,785	11	11/12/2015	1,099	-584
10/08/2015	3,128	-348	12/10/2015	1,865	-779	14/12/2015	1,105	-201
11/08/2015	3,152	871	13/10/2015	2,011	-1,174	15/12/2015	1,423	214
12/08/2015	3,145	-294	14/10/2015	2,278	-266	16/12/2015	1,198	885
13/08/2015	3,130	-750	15/10/2015	2,231	844	17/12/2015	1,242	57
14/08/2015	3,163	-299	16/10/2015	2,139	486	18/12/2015	1,344	-510
17/08/2015	3,166	1,137	19/10/2015	2,098	287	21/12/2015	1,498	-470
18/08/2015	3,180	-1,179	20/10/2015	1,981	-334	22/12/2015	1,442	-177
19/08/2015	3,247	-1,461	21/10/2015	1,843	296	23/12/2015	1,529	-107
20/08/2015	3,256	-2,979	22/10/2015	1,926	581	24/12/2015	1,607	589
21/08/2015	3,464	-4,570 (6)	23/10/2015	1,904	-1,124	28/12/2015	1,625	-183
24/08/2015	3,560	-1,098	26/10/2015	2,277	-2,047	29/12/2015	1,537	-365
25/08/2015	3,365	-187	27/10/2015	2,430	655	30/12/2015	1,556	227
26/08/2015	3,077	1,498	28/10/2015	1,964	496	31/12/2015	1,555	60
27/08/2015	3,362	-428	29/10/2015	1,985	-434			
28/08/2015	3,158	-336	30/10/2015	1,871	-73			
31/08/2015	3,098	-1,472	02/11/2015	1,449	349			
01/09/2015	3,113	-271	03/11/2015	856	168			
02/09/2015	3,143	2,174	04/11/2015	1,067	-297			
03/09/2015	3,275	1,620	05/11/2015	1,068	-54			
04/09/2015	3,109	-1,253	06/11/2015	1,383	-1,313			
07/09/2015	3,087	1,257	09/11/2015	1,251	-454			
08/09/2015	3,111	-50	10/11/2015	1,388	102			
09/09/2015	3,083	-1,672	11/11/2015	1,375	-164			
10/09/2015	3,231	-1,250	12/11/2015	1,185	261			
11/09/2015	3,770	-1,476	13/11/2015	1,225	-156			
14/09/2015	3,376	-89	16/11/2015	1,176	284			
15/09/2015	3,356	833	17/11/2015	1,499	344			

(1) Increase of up to 37 b.p. in the interest rate of Portuguese bonds.
(2) Increase of up to 22 b.p. of the interest rates of Portuguese bonds and of up to 33 b.p. in the interest rates of short-term Spanish bonds.
(3) Decrease of up to 28 b.p. in the interest rates of Portuguese bonds and of up to 11 b.p. in the interest rates of short-term Spanish bonds. Since this is a positive excess, it has no relevance for the add-on factor to be applied for capital requirements (which is only dependent from negative excesses); hence this was not considered in Table 36.
(4) Increase of up to 37 b.p. of the interest rates of Portuguese bonds and of up to 16 b.p. in the interest rates of 2-years-term Spanish bonds.
(5) Increase of up to 24 b.p. of the interest rates of Portuguese bonds and of up to 7 b.p. in the interest rates of 2-years-term Spanish bonds.
(6) Devaluation of the USD (2%), AUD (4%), CAD (3%) and NOK (2%) and devaluation of the S&P 500 index (4%).

NOTE: VaR for 10 days with 99% unilateral confidence level; hypothetical result obtained by an ex-post validation procedure over the VaR model (daily result scaled for 10 days divided by the square root of time).

11. OWN FUNDS REQUIREMENTS FOR FOREIGN EXCHANGE AND COMMODITIES RISKS

As at 31 December 2015 and 2014, own funds requirements for exchange rate risks were determined by using the internal models approach, authorised by Banco de Portugal for the exposures managed centrally from Portugal, simultaneously and in the same conditions as for the generic market risk of the trading book, previously mentioned. Own funds requirements for all other exposures have been calculated in accordance with the standardised approach.

Own funds requirements for commodities risk, in the Group's banking and trading books, were calculated in accordance with the standardised approach for this risk type, at the end of 2015 and of 2014.

Market risk for the global exchange rate positions of Group entities subject to the use of the standardised approach, for the purposes of calculating own funds requirements, was assessed in accordance with the provisions of Chapter 3, Title IV, Part III of the CRR.

Besides, the Group calculated own funds requirements for market risk in connection with the portfolio positions sensitive to commodities risk in accordance with the maturity ladder approach, in accordance with the provisions of Chapter 4, Title IV, Part III of the CRR.

Own funds requirements for exchange rate risks and commodities risks calculated by the Group, with reference to 31 December 2015 and 2014, are shown in Table 38.

TABLE 38 – OWN FUNDS REQUIREMENTS FOR EXCHANGE RATE AND COMMODITIES RISKS

Euro thousand

	31/12/2015	31/12/2014
1. EXCHANGE RATE RISK (1.1.+1.2.)	**8,173**	5,270
1.1. Standardised approach	**8,173**	5,270
1.2. Internal models approach		
2. COMMODITIES RISK (=∑(2.1. TO 2.2.))	**233**	249
2.1. Standardised approach (=∑(2.1.1.to 2.1.4.))	**233**	249
2.1.1. Maturity ladder approach or simplified approach	**233**	249
2.1.2. Futures and commodity options traded on the stock-exchange		
2.1.3. Futures and commodity options traded in OTC markets		
2.1.4. Other		
2.2. Internal models approach		

NOTE: The own funds requirements shown in this table correspond to those in items 2.3.1.3., 2.3.1.4. and in item 2.3.2. of Table 7 – Own funds requirements.

12. OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK

As at 31 December 2015 and 2014, the Group calculated own funds requirements for operational risk in accordance with the standard approach, pursuant to the authorisation granted by Banco de Portugal, as previously mentioned.

The computation of own funds requirements results from the application of a set of weights to the gross income that are set apart based on the activity segments into which gross income breaks down, according to regulatory definitions.

The framework for this calculation is provided by Title III of CRR, in addition to clarifications received from Banco de Portugal, namely with respect to the accounting items considered in the determination of the gross income.

12.1. GROSS INCOME

The gross income results from the sum of net interest income, dividends received, with the exception of income from financial assets with an "almost capital" nature – shareholders' advances –, net commissions, profits and losses arising on financial transactions associated to trading operations and other operating income. From these last items, the following are excluded: those that result from the sale of shareholdings and other assets, those with reference to discontinued operations and those resulting from negative consolidation differences. The interest in arrears recovered and expenses, which, on a consolidated basis, are recorded in the reversions of impairment losses item is also added to the gross income.

Yet, neither the compensations received as a result of insurance contracts nor revenues from the insurance activity are added to the value of the gross income. Finally, other operating expenses cannot contribute to the reduction of the gross income value, with exception of the costs resulting from outsourcing provided by external entities to the Group or by entities that are not subject to the provisions of Decree-Law no. 104/2007, of 3 April.

The values thus obtained for the previously identified items are adjusted by the non-current amounts of the activity that are eventually still included in the gross income.

12.2. OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK – STANDARD APPROACH

Own funds requirements calculated in accordance with the standard approach are determined by the average, over the last three years, of the sum of the risk-weighted gross income, calculated each year, relative to the activity segments and the risk weights that are defined in the article no. 317 of CRR, whose scope corresponds in general terms to the following:

- Corporate Finance (subject to an 18% weight): underwriting activities and related services, investment analysis and other financial consulting activities;
- Trading and Sales (subject to an 18% weight): dealing on own account and intermediation activities in monetary and financial instrument markets;
- Retail Brokerage (subject to a 12% weight): placement of financial instruments without a firm underwriting and intermediation of orders relative to financial instruments, on behalf of private Customers and small businesses;
- Commercial Banking (subject to a 15% weight): taking deposits and credit and guarantee concession and undertaking other commitments to companies;
- Retail Banking (subject to a 12% weight): taking deposits and credit and guarantee concession and undertaking other commitments to private Customers and small businesses;
- Payment and Settlement (subject to an 18% weight): payment operations and issue and management of means of payment activities;

- Agency Services (subject to a 15% weight): services associated to the safekeeping and administration of financial instruments;

- Asset Management (subject to a 12% weight): investment fund and individual portfolio management activities.

The risk-weighted gross income for a given segment may, in a specific year, be negative (counterbalancing positive weighted indicators associated with other segments). However, if in that year the sum of the relevant risk-weighted indicators of all segments of activity is negative, the value to consider in the numerator will be zero.

The gross income by segments of activity, on a consolidated basis, resulted from the aggregation of the values obtained for the perimeters of Portugal and of each one of the Group's foreign operations, determined based on criteria that are homogeneous and common to all geographies.

The gross income by segments of activity for Portugal and Poland was calculated based on their financial statements, complemented with information collected from their management information systems, whereas for the other foreign operations, accounting information was used. With respect to the subsidiary in Poland, the entire calculation process was conducted locally, taking into consideration that it is an operation with a diversified activity, which requires the contribution of own management information systems. On the other hand, the remaining foreign subsidiaries, which have a standardised activity concentrated in the Retail segment, were treated centrally.

The segmentation of the gross income of activity in Portugal and Poland based itself on information by business segments, produced for the purposes of internal management and market disclosure. In a first phase, the business segments and operational risk segments that present the greatest perimeter similarities were identified. Subsequently, the necessary transfers between the various segments, of zero sum, were carried out, to achieve a perimeter in line with what is required for the purposes of operational risk, in each segment.

In addition, the calculation of the gross income by activity segments for the Group's foreign operations, excluding Poland, was based on the financial statements of each subsidiary, as previously mentioned. Bearing in mind that these subsidiaries develop a retail activity, they were allocated, in a first phase, to the Retail Banking segment, with exception of the values recorded in the profits and losses arising on financial transactions item, which, by their nature, are immediately placed in the Trading and Sales segment, and, subsequently, the transfers for achieving a segmentation in line with the defined perimeter for the gross income are carried out. In 31 December 2015, this calculation was carried out for the operations of Switzerland, Angola, Mozambique and of Millennium bcp Bank & Trust, with registered office in the Cayman Islands, in addition to ActivoBank, which, although it develops its activity in Portugal, verifies the same assumptions and, thus, follows the same methodology.

Having concluded these procedures and the consolidation of the Group's activities, the segmented gross income was obtained in conformity with the requirements defined for the purposes of operational risk, to which the calculation methodology and the previously mentioned weights were applied, and the respective capital requirements were obtained.

As at 31 December 2015, the Group reported 259 million euros of own funds requirements for operational risk, having reported 246 million euros as at 31 December 2014, computed based on Table 39. It should be noted that, for purposes of determining capital requirements for 2015 and 2014, the amounts of 2012-2014 exclude the contributions of the operation in Romania, due to its sale in 2014.

TABLE 39 – GROSS INCOME FOR OPERATIONAL RISK

Euro thousand

Segments	Gross Income 2015			Memorandum items: Advanced measurement method – reduction of own funds requirements (2015)	
	2013	2014	**2015**	Expected losses captured in business practices	Risk transfer mechanisms
1. BASIC INDICATOR APPROACH					
2. STANDARD APPROACH	1,754,697	1,954,589	**2,217,743**		
- Corporate finance	19,977	21,396	**25,732**		
- Trading and sales	-381,172	-129,281	**116,801**		
- Retail brokerage	21,691	23,485	**15,605**		
- Commercial banking	902,527	659,978	**595,195**		
- Retail banking	1,034,429	1,224,564	**1,309,684**		
- Payment and settlement	111,570	99,077	**91,839**		
- Agency services	29,562	32,850	**37,370**		
- Asset management	16,114	22,521	**25,517**		
ADVANCED MEASUREMENT APPROACH [a]					

Euro thousand

Segments	Gross Income 2014			Memorandum items: Advanced measurement method – reduction of own funds requirements (2014)	
	2012	2013	2014	Expected losses captured in business practices	Risk transfer mechanisms
1. BASIC INDICATOR APPROACH					
2. STANDARD APPROACH	1,993,342	1,754,697	1,954,589		
- Corporate finance	29,191	19,977	21,396		
- Trading and sales	-240,166	-381,172	-129,281		
- Retail brokerage	19,311	21,691	23,485		
- Commercial banking	840,616	902,527	659,978		
- Retail banking	1,191,748	1,034,429	1,224,564		
- Payment and settlement	104,598	111,570	99,077		
- Agency services	28,496	29,562	32,850		
- Asset management	19,549	16,114	22,521		
ADVANCED MEASUREMENT APPROACH [a]					

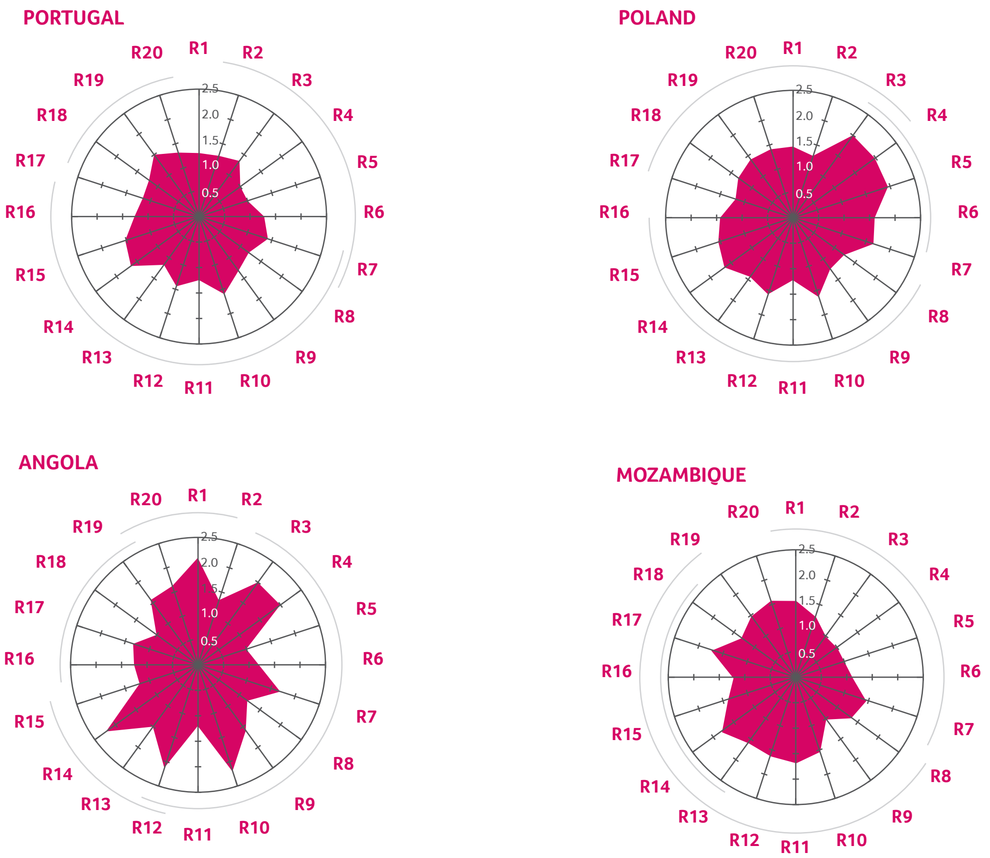
[a] Information on the gross income for activities subject to the advanced measurement approach.

12.3. OPERATIONAL RISK MANAGEMENT

Operational risk management is based on an end-to-end process structure, defined for all the Group's subsidiaries, and the responsibility for their management was given to process owners, who must: characterize operational losses captured within their processes; carry out the Risk Self-Assessment (RSA); identify and implement the appropriate measures to mitigate exposures, contributing to reinforce internal control; and monitor Key Risk Indicators (KRI).

The following graphs show the results of the latest RSA made in Portugal, Poland, Angola and Mozambique in terms of the average score of each of the 20 risk sub-types defined for operational risk within the set of processes assessed. The outside border represents a 2.5 score on a scale of 1 (less serious) to 5 (most serious).

GRAPH 2 – RISKS SELF-ASSESSMENT RESULTS

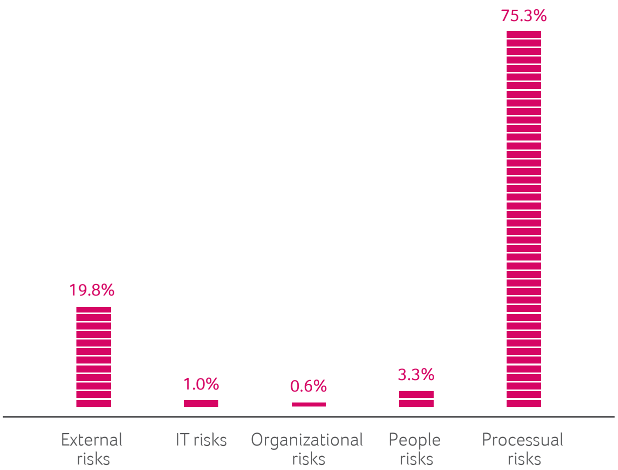


R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Costumer related errors
R13 Product flaws/errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties' related problems

The operational losses identified are registered in the Group's operational risk application and connected with the respective process, being assessed and characterised in accordance to their nature. When applicable, a mitigation action is associated with each loss event.

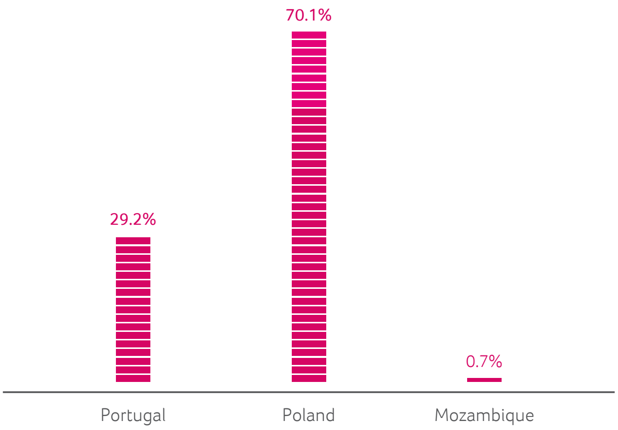
GRAPH 3 – PROFILE OF OPERATIONAL LOSSES, BY CAUSE

LOSS AMOUNT DISTRIBUTION
By cause



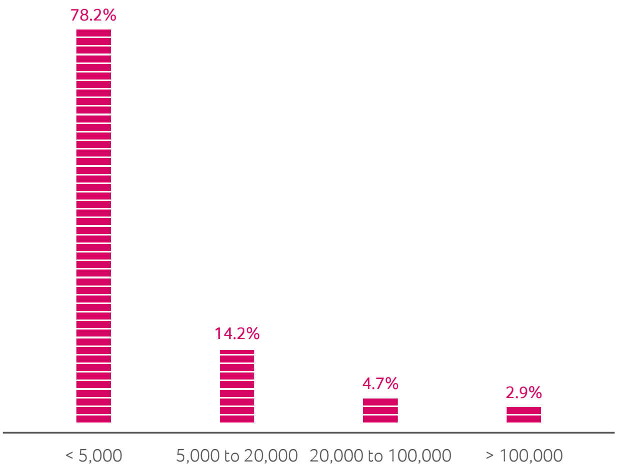
GRAPH 4 – PROFILE OF OPERATIONAL LOSSES, BY COUNTRY

LOSS AMOUNT DISTRIBUTION
By country



GRAPH 5 – PROFILE OF OPERATIONAL LOSSES, BY AMOUNT RANGE (IN EUROS)

LOSS AMOUNT DISTRIBUTION
By amount rage



The following graphs feature the profile of accumulated operational losses until 31 December 2015.

A set of KRI is used by the Group's various operations to monitor the main processes risks. These KRI are management instruments represented by metrics that aim at the identification of changes in risk profiles and in controls effectiveness, so as to act preventively and avoid turning potential risk situations into actual losses.

The information on the identified KRI is consolidated in a "KRI Library" intended to be an information source to be shared with the subsidiary companies. It presently includes over four hundred and fifty indicators.

At the same time, the Group continued to strengthen and perfect its business continuity management along 2015, with a focus on the update of strategies, procedures and existing documentation, as well as on the regular exercises of the continuity plans, in order to improve its response capability to incidents, articulating all teams involved at different stages of the exercises.

Within the Group, this matter is aimed at ensuring the continuity of the main business (or business support) activities, in the face of a catastrophic event or of a serious contingency, and is handled through two distinct – but complementary – plans:

- The Disaster Recovery Plan, for communication systems and infrastructures; and
- The Business Continuity Plan, for people, premises and equipment required for the minimum support of selected processes, deemed critical.

The management of this specific operational risk area is designed, promoted and coordinated across the Group by a specific structure unit: the Business Continuity Department.

In addition, the Group maintains an insurance contracting policy as an instrument to mitigate potential financial impacts associated with the occurrence of operational risks, by transferring, partially or in full, the risks pertaining to assets, people or liabilities before third parties.

The proposals for new insurances are submitted by the process owners, within the scope of the operational risk management powers regarding their processes, or presented by the heads of areas or structure units, being analysed by the Risk Commission and subjected to a decision by the EC. Within the scope of insurance contracts in Portugal, the specialised technical and commercial functions involved are attributed to the Insurances Management Unit (IMU), a unit that encompasses all the Group's entities operating in Portugal. The IMU shares information with the Risk Office, aiming to strengthen insurance coverage and the quality of the operational losses database.

13. INTEREST RATE IN THE BANKING BOOK

The assessment of the interest rate risk originated by operations in the banking book is performed through a risk-sensitivity analysis process, carried out every month and involving all operations included in the Group's consolidated balance sheet, reflecting the potential economical value loss that may occur as the result of adverse changes to interest rates.

The banking book includes all the positions not included in the trading book, namely, the positions resulting from institutional funding operations and in monetary markets, commercial and structural operations and the securities of the investment portfolio.

The changes in market interest rates have an impact over the Group's financial margin, both in a short-term and in a medium/long-term perspective. The main risk factors are the repricing mismatch of the trading positions (repricing risk) and the changes in the level of the market interest rates (yield curve risk). In addition – although with less relevant impact – there is the risk of having unequal variations in different indexes with the same repricing term (basis risk).

So as to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of the contracts available in the systems' databases and the respective expected cash-flows are projected in accordance with their repricing dates. Hence, this provides an assessment of the impact on the Group's economic value that would result from several alternative scenarios involving changes in market interest rate curves.

The commercial and structural areas risk positions that are not specifically hedged against the market are transferred, through internal operations, to the market areas and, from then on, they are considered to be incorporated in the respective portfolios. As such, they are daily evaluated through the VaR methodology.

The fundamental assumptions used in this analysis are documented in internal regulations and consist, essentially, on one hand, in definitions about interest rate repricing maturities (for items for which there is no defined repricing date) or, on the other hand, in certain expected behaviour concerning early repayments.

In 2015, for items for which there are no defined repricing dates, the following assumptions of repricing terms were applied:

• Nostro and Vostro Accounts: assumption of repricing in 1 month;

• Demand deposits at central banks: assumption of repricing in 1 month;

• Roll-over credit/Current accounts and overdrafts: assumption of 40% repricing in 12 months, 15% in 24 months, 15% in 36 months, 15% in 48 months and 15% in 60 months;

• Roll-over credit/Credit cards: assumption of 50% repricing in 12 months, 15% in 24 months, 15% in 36 months, 10% in 48 months and 10% in 60 months;

• Roll-over credit/Factoring: assumption of 45% repricing in 12 months, 15% in 24 months, 15% in 36 months, 15% in 48 months and 10% in 60 months;

• Non-interest bearing demand deposits and other deposits (in euros): assumption of 15% repricing in 12 months, 10% in 24 months, 10% in 36 months, 10% in 48 months and 55% in 60 months;

• Non-interest bearing demand deposits and other deposits (in other currencies): assumption of 20% repricing in 12 months, 20% in 24 months, 10% in 36 months, 10% in 48 months and 40% in 60 months;

• Interest earning demand deposits: assumption of 50% repricing in 1 month, 40% in 3 months and 10% in 6 months.

Stress tests are carried out for the banking book by applying standard shocks of parallel shifts of the yield curve. Also, stress testing is carried out for all Group positions for which interest rate risk is a relevant component, by considering different macroeconomic scenarios that contemplate several variables of analysis.

Stress tests are carried out every six months, with the aim of assessing the impact of extreme situations that cannot be measured through VaR and BPV analyses (Basis Point Value – analysis of positive and negative impacts as a result of interest rate variations).

Macroeconomic scenarios are designed based on the economic situation and on the impact that may result from changes in the main risk analysis variables – namely, on traded assets prices, interest rates, exchange rates, default probabilities and the recovery rates of non-performing loans.

Table 40 illustrates the impacts on the shareholders' equity of the Group, as at 31 December 2015 and 2014, in value and percentage, as a result of +200 and -200 basis points shocks in interest rates.

TABLE 40 – SENSITIVITY ANALYSIS TO THE INTEREST RATE RISK IN THE BANKING BOOK

Euro thousand

		31/12/2015	31/12/2014
Value	+200 b.p.	**30,135**	164,387
	-200 b.p.	**111,214**	39,761
% Shareholders' equity [1]	+200 b.p.	**0.5%**	3.4%
	-200 b.p.	**2.0%**	0.8%

[1] Shareholders' equity excludes hybrid products accounted in equity but not eligible for core capital.

On 31 December 2015, the range of shocks considered in this analysis (parallel variations of interest rate curves of +/- 200 b.p.) resulted in a relevant asymmetry of impacts over the economic value of the Group, leading to gains in both scenarios. This is due to the assumption of a minimum of 0 (zero) rate of interest and to the different impacts verified over the portfolio for the several repricing terms (resulting in different effective impacts occurring under the two scenarios) and, also, due to the reduction of exposures with terms greater than 1 year, in line with the hedging policy followed in 2015.

14. LIQUIDITY RISK

14.1. LIQUIDITY RISK MANAGEMENT AND ASSESSMENT

LIQUIDITY MANAGEMENT

The BCP Group liquidity management is globally accompanied and the supervision is coordinated at a consolidated level in accordance with the principles and methodologies defined at a Group level.

The management of liquidity needs is decentralized by geography, given that each subsidiary is self-sufficient and responsible for ensuring the coverage of its liquidity needs, either through its deposits basis, or through the market mechanisms available in each geography.

The Group's subsidiaries present adequate liquidity buffers to the funding needs, with conservative loan-to-deposit ratios.

The BCP Group has been developing a solid business model in retail banking, benefitting from a stable liquidity position, even in financial markets contingency situations, as seen in 2011, after the approval of the rescue program for Portugal.

Since then, strategic priorities were redefined, either through the selling of non-strategic assets in a first stage, either through the management of the deleveraging process, allowing to develop the resiliency of the Bank's funding structure.

The deleveraging process allowed to narrow the commercial gap and to reinforce the stable sources of funding, proving that it could be an alternative to the debt markets, given the difficulties in accessing them.

The BCP Group assures the adoption of the liquidity prudential requirements under the new regulatory framework at both consolidated and individual level.

LIQUIDITY RISK ASSESSMENT

The assessment of the Group's liquidity risk is based on the calculation and analysis of regulatory indicators defined by the supervisory authorities and on other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (of up to three months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of three days and of three months, respectively.

The calculation of these indicators involves adding to the liquidity position of the day under analysis, the estimated future cash--flows for each day of the respective time horizon (three days or three months) for the set of transactions brokered by the markets areas, including the transactions with Clients of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, determining the accumulated liquidity gap for each day of the period under analysis.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis, identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of CALCO, in order to enable the decision-taking that leads to the maintenance of adequate financing conditions to business continuity. Complementarily, the Risk Committee is responsible for the control of the liquidity risk exposure.

This control is reinforced with the monthly execution of stress tests, in order to evaluate the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfil their immediate obligations in a liquidity crisis scenario. These tests are also used to support the liquidity contingency plan and management decisions on this subject.

14.2. MANAGEMENT MODEL

The Group´s liquidity management is coordinated at the BCP Group level, under the responsibility of CALCO, consolidating a broad view of the Group's liquidity position in both short-run and structural management, promoting conditions of efficient access to financial markets. The execution is ensured by the Treasury Department.

The BCP Group consolidates the individual liquidity plans for the main entities of the Group, ensuring that the expected evolution of the inflows and outflows of the assets and liabilities arising from the commercial and corporate goals is aligned with a prudential treasury management and adequate liquidity ratios.

The liquidity of each Group entity is supervised at a global level, with liquidity needs' management autonomy, but assuring that there are internal mechanisms to maximize the efficiency of its management on a consolidated basis, namely in higher tension conjectures.

• Liquidity and funding risk management:
Describes the procedures, responsibilities, methodologies and rules employed by the Group to address liquidity and funding risk management, as well as its relation to the ILAAP.

• Funding strategy:
Aims to evaluate the Group's policies and procedures in regard to its ability to finance its liquidity needs.

• Liquidity buffer and collateral management:
Documents the Bank's practices concerning the management of liquid assets and assets that are eligible as collateral in refinancing operations with central banks.

• Cost benefit allocation mechanism:
Assesses the Bank's approach on liquidity transfer pricing.

• Intraday liquidity risk management:
Presents the Bank's methodology for managing intraday liquidity risk and an explanation of registered incidents relating to obligations that were not met in a timely manner.

• Regulatory indicators monitoring:
Alignment of the regulatory requirements defined by the supervision with the Group's current liquidity management requirements and monitoring its adequacy, by defining minimum internal limits developed based on common and transversal concepts to the Group.

• Liquidity stress testing:
Presents the liquidity stress tests performed by the Group on a regular basis.

• Contingency funding plan:
Presents the lines of responsibility for designing, monitoring and executing the Contingency Funding Plan along with the methodologies to detect tension situations early and an assessment of the plan's feasibility.

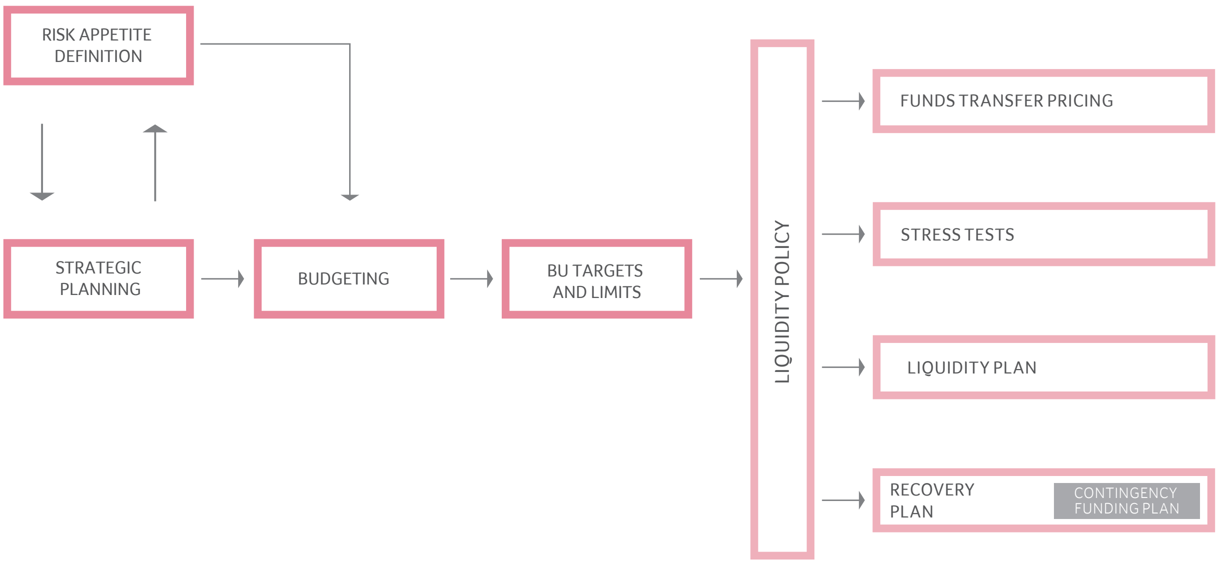
14.3. NEW REGULATORY REQUIREMENTS

In the scope of the new prudential information requirements that is subject, the BCP Group has been monitoring the application and compliance with the new regulatory framework requirements, not only through the participation on study exercises promoted by the Basel Committee (QIS – Quantitative Impact Study) and reporting exercises performed within the European supervision, through the SSM – Single Supervisory Mechanism (STE – short-term exercise), but also through the regular reports on liquidity (COREP).

Within liquidity risk management, it should be noted, in 2015, the application of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, in what concerns the liquidity coverage requirement.

The Supervisory Review and Evaluation Process (SREP), regarding the Internal Liquidity Adequacy Assessment Process (ILAAP), together with the Internal Capital Adequacy Assessment Process (ICAAP), were key evaluation instruments for risk management and for determining liquidity and capital additional requirements, respectively.

In the scope of the ILAAP carried out in 2015, a qualitative and quantitative information analysis was performed, with the goal of defining a liquidity risk management framework of the Group in accordance with the respective profile and aligned with the European Banking Authority guidelines and with the Single Supervisory Mechanism expectations. The ILAAP methodology is shared, to a large extent, with the liquidity risk management that the Group has been developing over the last years. In this context, the ILAAP exercise considered own characteristics of the Group, such as business model, governance, implemented controls, monitoring, dimension, complexity, market constraints and local regulatory duties for each geography.



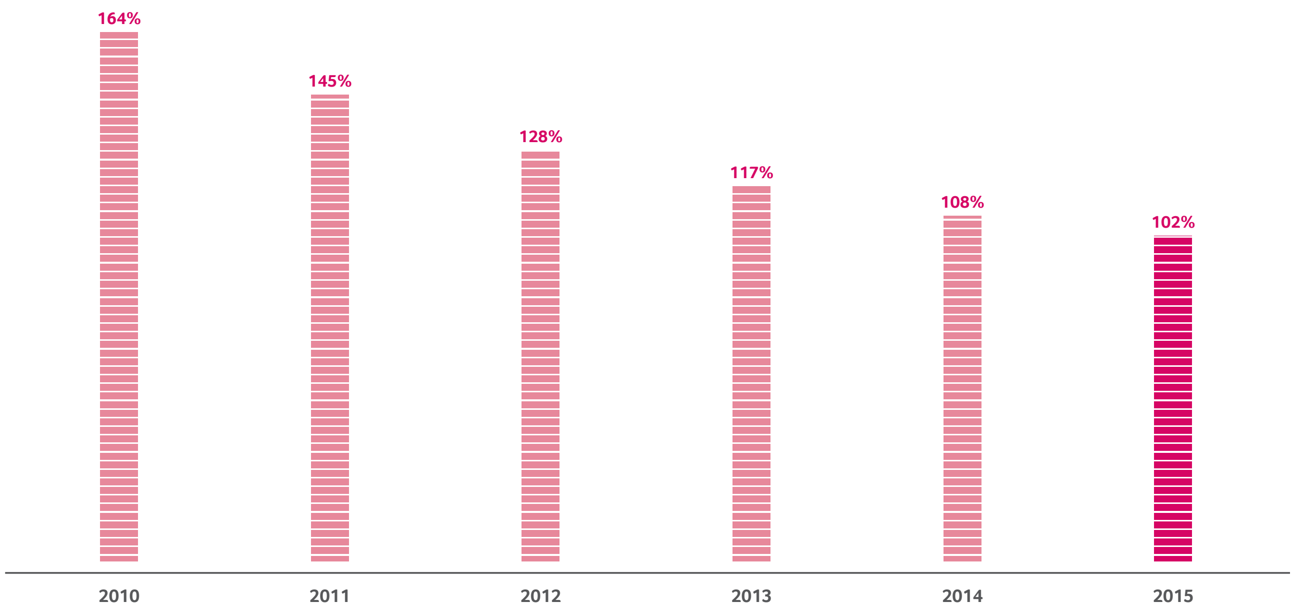
14.4. BALANCE SHEET INDICATORS

The main evolutions regarding the Group's liquidity situation in 2015 were the following:

- Commercial gap narrows 3.4 billion euros from end-2014;
- Loans to deposit ratio (according to the instruction no. 16/2004 of the Banco de Portugal) at 102%, 97% if all balance sheet customer funds are included. As at 31 December 2014, the first ratio stood at 108%;
- Debt repayments (medium/long-term) significantly lower than in previous years and with a declining trend for future years;
- Net usage of the ECB funding at 5.3 billion euros, compared to 6.6 billion euros year-end 2014;
- 13.9 billion euros (net of haircut) of eligible assets available for financing operations with the ECB, with an available assets buffer of 8.6 billion euros, as at December 2015. As at December 2014, this amount rose to 7.6 billion euros;
- Customer deposits account for 80% of the Group's funding structure in the end of 2015, favourably comparing with the value of 75% recorded in the end of 2014.

BCP Group has structurally improved its liquidity profile, recording a loan to deposit transformation ratio of 102% in the end of 2015 (> 150% in 2010), keeping a comfortable liquidity buffer of 8,640 million euros of eligible assets to guarantee Eurosystem operations.

GRAPH 6 – TRANSFORMATION RATIO EVOLUTION



In the end of December 2015, customer deposits set at 51,538 million euros, recording a 3.5% growth *vis-à-vis* 31 December 2014, with Clients' balance sheet resources amounting to 53,849 million euros, having credit reached 55,438 million euros, which represents a 3% decrease comparing to the end of 2014.

At the same time, there was a decrease of the wholesale funding amounting to 2,409 million euros *vis-à-vis* 31 December 2014.

As at 31 December 2015, the balance of the net funding with the ECB reached 5,302 million euros, representing a decrease of 1,267 million euros facing the amount registered in the same period of 2014.

The decrease of the net funding with the ECB, along with the reduction of 215 million euros of the portfolio of available collateral for discounting, allowed an increase of 1,052 million euros of the liquidity buffer, which totalled 8,640 million euros at the end of December 2015.

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks, net of haircuts, is detailed as follows:

TABLE 41 – LIQUID ASSETS INTEGRATED IN COLLATERAL POOLS

Euro thousand

	31/12/2015	31/12/2014
European Central Bank	**11,955,411**	12,175,997
Other Central Banks	**2,561,391**	2,968,013
TOTAL	**14,516,802**	15,144,010

As at 31 December 2015, the amount discounted in the European Central Bank amounted to 5,483 million euros (31 December 2014: 6,693 million euros). As at 31 December 2015 and 2014, no amounts were discounted in Other Central Banks.

The amount of eligible assets for funding operations in the European Central Bank includes covered bonds and securities issued by SPE concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the consolidated securities portfolio.

In December 2015 and 2014, the portfolio of eligible assets at the ECB, net borrowing in the ECB and the liquidity buffer present the following values:

TABLE 42 – LIQUIDITY BUFFER OF THE ECB

Euro thousand

	31/12/2015	31/12/2014
Collateral eligible for ECB, afer haircuts:		
The pool of ECB monetary policy (i)	**11,955,411**	12,175,997
Outside the pool of ECB monetary policy	**1,986,808**	1,981,402
	13,942,219	14,157,399
Net borrowing at the ECB(ii)	**5,302,393**	6,569,335
LIQUIDITY BUFFER (iii)	**8,639,826**	7,588,064

(i) Corresponds to the amount reported in COLMS (Banco de Portugal application).
(ii) Includes, as at December 2015, the value of funding with the ECB net of deposits at the Banco de Portugal and other liquidity of the Eurosystem, plus the minimum cash reserve and the accrued interest.
(iii) Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

Thus, as at 31 December 2015, the liquidity obtainable through available collateral, plus deposits with Banco de Portugal deducted from the minimum cash reserves and accrued interest, amounted to 8,640 million euros, comparing to 7.588 million euros in 31 December 2014.

14.5. REGULATORY INDICATORS

The main liquidity ratios of the Group, calculated according to the definitions of the Instruction no. 13/2009 of Banco de Portugal, are as follows:

TABLE 43 – LIQUIDITY INDICATORS

	Reference value	31/12/2015	31/12/2014
Accumulated net cash flows up to 1 year as % of total accounting liabilities	Not less than (-6%)	**-4.1%**	-3.9%
Liquidity Gap as a % of illiquid assets	Not less than (-20%)	**6.6%**	8.9%
Transformation ratio (Credit/Deposits) (1)		**101.6%**	108.3%
Coverage ratio of Wholesale funding by HLA (2)			
(up to 1 month)		**353.8%**	382.5%
(up to 3 months)		**279.5%**	208.1%
(up to 1 year)		**238.2%**	189.3%

(1) Transformation ratio computed according to the instruction no.º 16/2014 of Banco de Portugal, in the currently applicable version.
(2) HLA – Highly Liquid Assets.

14.5.1. LIQUIDITY COVERAGE RATIO

The definition of the Liquidity Coverage Ratio (LCR) was published by the Basel Committee in 2014. In the beginning of October 2015, the European Commission's Delegated Act has been adopted, introducing, in relation to the CRD IV/CRR, new metrics and calculation criteria implemented in the European Union. The adoption of the new framework defines a minimum requirement of 60% for this ratio until the end of 2015, which will gradually increase until 100% in 2018. The BCP Group's LCR ratio was comfortably above 100% in 31 December 2015, supported by portfolios of highly liquid assets compatible with the Group's short-term liquidity prudential management.

14.5.2. NET STABLE FUNDING RATIO

The definition of Net Stable Funding Ratio (NSFR) was approved by the Basel Committee in October 2014. The regulatory requirement will take effect from January 2018. BCP Group has a stable financing base, obtained by a high level of customer deposits in the funding structure, by collateralised financing and by medium and long-term instruments which allowed the financing relation level in 2015 to surpass 100%.

14.5.3. ENCUMBERED AND UNENCUMBERED ASSETS

Within the scope of Banco de Portugal's instruction no. 28/2014, focused on EBA's orientation regarding the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3), and considering the recommendation made by the European Systemic Risk Board, presented below is information relative to assets and collaterals:

TABLE 44 – ENCUMBERED ASSETS

Euro thousand

Assets	31 December 2015				31 December 2014			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	12,072,341	n/a	63,192,569	n/a	15,585,596	n/a	60,841,956	n/a
Equity instruments	-	-	2,313,431	2,313,431	-	-	2,220,081	2,218,963
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536	3,059,616	3,059,616	8,551,366	8,354,230
Other assets	-	n/a	8,012,360	n/a	-	n/a	7,470,914	n/a

Collateral received	31 December 2015		31 December 2014	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	- -	-	-	-
Equity instruments	- -	-	-	-
Debt securities	- -	-	-	-
Other collateral received	- -	-	-	-
Own debt securities issued other than own covered bonds or ABS	- -	-	-	-

Encumbered assets, encumbered collateral received and matching liabilities	31 December 2015	31 December 2014
	Carrying amount of selected financial liabilities	Carrying amount of selected financial liabilities
Matching liabilities, contingent liabilities and securities lent	9,023,274	11,451,473
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	11,825,051	15,279,091

In the end of 2015, total encumbered assets in funding operations represented 16% of the Group's balance sheet total assets, favourably comparing with the value of 20% recorded in the end of 2014. This evolution is due to the improvement of the commercial gap, translating on a decrease of the funding needs, namely of the obtained with the ECB, and respective collateral exoneration.

Encumbered assets are mostly related with the Group's funding operations with the ECB, in repo operations, through the issue of mortgage bonds and securitisation programs. The type of assets used as collateral for the previously stated funding operations are divided in customer loans portfolio, which support securitisation programs and the issue of mortgage bonds, placed either outside the Group or meant to reinforce the collateral pool at the ECB, and Portuguese sovereign debt, which are collateral for repo operations in the money market. Portuguese sovereign debt and debt issued by public entities are collateral for funding obtained from the European Investment Bank.

The other assets in the amount of 8,012 million euros, although unencumbered, are mostly linked to the Group's activity, namely: investments in associated companies and subsidiaries, tangible assets and investment properties, intangible assets, assets associated with derivatives and current and deferred taxes.

The values presented in table 44 reflect the high level of collateralisation of BCP Group's wholesale funding.

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ANNEXES

ANNEX 1 – EQUITY IN 31 DECEMBER 2015 (TRANSITIONAL MODEL OF DISCLOSURE OF OWN FUNDS)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES					
1	Capital instruments and the related share premium accounts	4,102,003	26 (1), 27, 28, 29, EBA list 26 (3)		
	of which: ordinary shares	4,102,003	EBA (3) of EBA list		Excludes own shares/not elegible
2	Retained earnings	800,748	26 (1) (c)		
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-349,930	26 (1)		
3a	Funds for general banking risk		26 (1) (f)		
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase-out from CET1		486 (2)		
	Public sector capital injections grandfathered until 1 January 2018	750,000	483 (2)		
5	Minority interests (amount allowed in consolidated CET1)	866,167	84, 479, 480	305,926	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)		
6	COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	6,168,988		305,926	
COMMON EQUITY TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS					
7	Additional value adjustments (negative amount)		34, 105		
8	Intangible assets (net of related tax liability) (negative amount)	-84,150	36 (1) (b), 37, 472 (4)	126,225	
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-83,837	36 (1) (c), 38, 472 (5)	234,657	
11	Fair value reserves related to gains or losses on cash flow hedges	20,082	33 (a)		
12	Negative amounts resulting from the calculation of expected loss amounts	-141,847	36 (1) (d), 40, 159, 472 (6)	212,771	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-2,868	33 (b)		
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)		

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)		
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)		
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) and (3), 79, 472 (10)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)		
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)		
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91		
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258		
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-63,794	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	374,298	
22	Amount exceeding the 15% threshold (negative amount)	-10,391	48 (1)	176,042	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-5,595	36 (1) (i), 48 (1) (b), 470, 472 (11)	70,248	Amounts relating to line 22
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	-4,796	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	105,793	Amounts relating to line 22
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)		
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)		
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment				

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	12,012		12,012	
	of which: unrealised losses	88,197	467	88,197	
	of which: unrealised losses in relation to central government	86,308	467	86,308	
	of which: unrealised gains	-76,185	468	-76,185	
	of which: unrealised gains relating to central government	-7,118	468	-7,118	
26b	Amount to be deducted or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	189,439	481	189,439	
	of which: pension fund row	189,472		189,472	
	of which: deduction of deposits with higher interest rates to certain thresholds	-33		-33	
	of which: deferred tax assets dependent on future profitability that are not caused by temporary differences (net of associated deferred tax liabilities)				
	of which: insufficient credit adjustments related to expected losses on positions using the IRB approach				
	of which: deferred tax assets dependent on future profitability from temporary differences				
	of which: adjustment to the 15% limit				
	of which: adjustment of national filters				
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-228,874	36 (1) (j)	-228,874	
28	TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)	-394,229		1,096,569	
29	COMMON EQUITY TIER 1 (CET1) CAPITAL	5,774,760		1,402,496	
ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS					
30	Capital instruments and the related share premium accounts		51, 52		
31	of which: classified as equity under applicable accounting standards				
32	of which: classified as liabilities under applicable accounting standards				
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase-out from AT1	22,628	486 (3)	22,628	
	Public sector capital injections grandfathered until 1 January 2018		486 (3)		

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	2,945	85, 86, 480	-38,478	
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)		
36	ADDITIONAL TIER 1 (AT1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	25,573		-15,850	
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)		
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)		
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)		
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)		
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	228,874		228,874	CET1 allocation to cover insufficient AT1 (versus line 27)
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation	-236,807	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-236,807	
	of which: intangible assets	-126,225		-126,225	
	of which: insufficient provisions for expected losses	-106,385		-106,385	
	of which: residual amounts of CET1 instruments of financial entities in which the institution has a significant investment	-4,196		-4,196	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No. 575/2013	-17,640	477, 477 (3), 477 (4) (a)	-17,640	
	of which: elements to drill down line by line, for example, cross--shareholdings reciprocal of T2 instruments, direct shareholdings in non-significant investments in other financial entities equity, etc.				

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
41c	Amount to be deducted or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468. 481		
	of which: ...possible filter for unrealised losses		467		
	of which: ...possible filter for unrealised gains		468		
	of which: ...		481		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)		
43	TOTAL REGULATORY ADJUSTMENTS TO ADDITIONAL TIER 1 (AT1) CAPITAL	-25,573		-25,573	
44	ADDITIONAL TIER 1 (AT1) CAPITAL			-41,422	
45	TIER 1 CAPITAL (T1 = CET1 + AT1)	5,774,760		1,361,073	
TIER 2 (T2) CAPITAL: INSTRUMENTS AND PROVISIONS					
46	Capital instruments and the related share premium accounts	444,507	62, 63		
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase-out from T2	73,285	486 (4)	73,285	
	Public sector capital injections grandfathered until 1 January 2018		483 (4)		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	134,987	87, 88, 480	89,573	
49	of which: instruments issued by subsidiaries subject to phasing-out		486 (4)		
50	Credit risk adjustments		62 (c) and (d)		
51	TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS	652,779		162,857	
TIER 2 (T2) CAPITAL: REGULATORY ADJUSTMENTS					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)		
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70 and 79, 477 (4)		

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
54a	of which: new holdings not subject to transitional arrangements				
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements				
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-41,160	66 (d), 69, 79, 477 (4)	17,640	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to the pre-treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)				
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013	-110,582	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-110,582	
	of which: insufficient provisions for expected losses	-106,385		-106,385	
	of which: residual amounts of CET1 instruments of financial entities in which the institution has a significant investment	-4,196		-4,196	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No. 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)		
	of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial entities, etc.				
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-69,056	467, 468, 481	-69,056	Amount associated with properties in restitution that exceed the regulatory deadline for permanence in the active
	of which: ...possible filter for unrealised losses		467		
	of which: ...possible filter for unrealised gains		468		
	of which: ...		481		
57	TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL	-220,797		-161,997	
58	TIER 2 (T2) CAPITAL	431,981		860	
59	TOTAL CAPITAL (TC = T1 + T2)	6,206,741		1,361,933	

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)				
	of which: ... items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future probability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)		
	of which: ... items not deducted from AT1 items (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)		
	Items not deducted from T2 items (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)		
60	TOTAL RISK WEIGHTED ASSETS	43,315,421		570,295	
CAPITAL RATIOS AND BUFFERS					
61	COMMON EQUITY TIER 1 (AS A PERCENTAGE OF TOTAL RISK EXPOSURE AMOUNT)	13.33%	92 (2) (a), 465		
62	TIER 1 (AS A PERCENTAGE OF TOTAL RISK EXPOSURE AMOUNT)	13.33%	92 (2) (b), 465		
63	TOTAL CAPITAL (AS A PERCENTAGE OF TOTAL RISK EXPOSURE AMOUNT)	14.33%	92 (2) (c)		
64	INSTITUTION-SPECIFIC BUFFER REQUIREMENT (CET1 REQUIREMENT IN ACCORDANCE WITH ARTICLE 92 (1) (A), PLUS CAPITAL CONSERVATION AND COUNTERCYCLICAL BUFFER REQUIREMENTS, PLUS SYSTEMIC RISK BUFFER, PLUS SYSTEMICALLY IMPORTANT INSTITUTION BUFFER EXPRESSED AS A PERCENTAGE OF RISK EXPOSURE AMOUNT)		CRD 128, 129, 130		
65	OF WHICH: CAPITAL CONSERVATION BUFFER REQUIREMENT				
66	OF WHICH: COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT				
67	OF WHICH: SYSTEMIC RISK BUFFER REQUIREMENT				
67a	OF WHICH: GLOBAL SYSTEMICALLY IMPORTANT INSTITUTION (G-SII) OR OTHER SYSTEMICALLY IMPORTANT INSTITUTION (O-SII) BUFFER		CRD 131		
68	COMMON EQUITY TIER 1 AVAILABLE TO MEET BUFFERS (AS A PERCENTAGE OF RISK EXPOSURE AMOUNT)	7.32%	CRD 128		

(Continues)

(Continuation)

		(A) Amount at disclosure date	(B) Regulation (EU) No. 575/2013 (CRR) article reference	(C) Amounts subject to pre-regulation (EU) No. 575/2013 treatment or prescribed residual amount of regulation (EU) No. 575/2013	Explanatory notes
69	[NOT RELEVANT ON EU REGULATIONS]				
70	[NOT RELEVANT ON EU REGULATIONS]				
71	[NOT RELEVANT ON EU REGULATIONS]				
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment (amount above 10% threshold and net of eligible short positions)	167,184	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment (amount above 10% threshold and net of eligible short positions)	342,686	36 (1) (i), 45, 48, 470, 472 (11)		
74	Empty set in the EU				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38 No. 3 are met)	607,782	36 (1) (c), 38, 48, 470, 472 (5)		
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	230	62		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62		
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	116	62		
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JANUARY 2013 AND 1 JANUARY 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) and (5)		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) and (5)		
82	Current cap on AT1 instruments subject to phase-out arrangements	43,843	484 (4), 486 (3) and (5)		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) and (5)		
84	Current cap on T2 instrunents subject to phase-out arrangements		484 (5), 486 (4) and (5)		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	3,077	484 (5), 486 (4) and (5)		

ANNEX 2 – CET1 ELEGIBLE FINANCIAL INSTRUMENTS

Euro thousand

ISIN	Issuer	Description	Eleg. CRD IV 31/12/2015	Eleg. CRD IV 31/12/2014	Own funds 31/12/2015	Own funds 31/12/2014
PTBCPOAM00007	BCP, S.A.	Ordinary shares	**CET1**	CET1	**4,102,003**	3,703,972
PTBIZQOM0059	BCP, S.A.	BCP's CoCo Bonds – Subscribed by the Portuguese State	**CET1**	CET1	**750,000**	750,000

ANNEX 3 – AT1 ELIGIBLE FINANCIAL INSTRUMENTS

Euro thousand

ISIN	Issuer	Description	Issue Date	Maturity Date	Amount 31-12-2015(1)	1st Call Date	Eleg. CRD IV 31/12/2015	Eleg. CRD IV 31/12/2014	Own funds 31/12/2015	Own funds 31/12/2014
PTBCPMOM0002	BCP, S.A.	BCP FRNPLD	29/06/2009	Perpetual	**2,922**	-	**N**	N	**2,922**	8,614
XS0194093844	BCP Finance Co	BCP Finance Co 5,543 EUR	09/06/2004	Perpetual	**43,768**	09/09/2017	**N**	N	**14,808**	50,036
XS0231958520	BCP Finance Co	BCP Finance Co 4,239 EUR	13/10/2005	Perpetual	**15,942**	13/07/2017	**N**	N	**4,898**	34,246

ANNEX 4 – T2 ELIGIBLE FINANCIAL INSTRUMENTS

Euro thousand

ISIN	Issuer	Description	Issue Date	Maturity Date	Amount 31-12-2015[1]	1st Call Date	Eleg. CRD IV 31/12/2015	Eleg. CRD IV 31/12/2014	Own funds 31/12/2015	Own funds 31/12/2014
PTBIVXOM0013	BCP, S.A.	Bcp Obrigacoes Subordinadas March 2021	28/03/2011	28/03/2021	**114,000**	-	**T2**	T2	**114,000**	114,000
PTBIU6OM0028	BCP, S.A.	Bcp Subordinadas September 2019	14/10/2011	28/09/2019	**50,000**	-	**T2**	T2	**37,444**	47,444
PTBCL2OM0016	BCP, S.A.	Bcp Subordinadas November 2019	08/11/2011	08/11/2019	**40,000**	-	**T2**	T2	**30,844**	38,844
PTBCUWOM0011	BCP, S.A.	Bcp Subordinadas 11/25.08.2019	25/08/2011	25/08/2019	**7,500**	-	**T2**	T2	**5,479**	6,979
PTBCTZOM0037	BCP, S.A.	Millennium Bcp Subordinadas December 2019	30/12/2011	09/12/2019	**26,600**	-	**T2**	T2	**20,970**	26,290
PTBCU9OM0028	BCP, S.A.	Millennium Bcp Subordinadas January 2020	27/01/2012	13/01/2020	**14,000**	-	**T2**	T2	**11,301**	14,000
PTBIVSOM0077	BCP, S.A.	Bcp Obrigacoes Subordinadas April 2021	01/04/2011	01/04/2021	**64,100**	-	**T2**	T2	**64,100**	64,100
PTBIUGOM0072	BCP, S.A.	Bcp Obrigacoes Subordinadas 3Sr April 2021	21/04/2011	21/04/2021	**35,000**	-	**T2**	T2	**35,000**	35,000
PTBIZUOM0053	BCP, S.A.	Bcp Subordinadas July 2020	18/07/2012	02/07/2020	**26,250**	-	**T2**	T2	**23,654**	26,250
PTBCQJOM0030	BCP, S.A.	Millennium Bcp Subordinada Feb2020	04/04/2012	28/02/2020	**23,000**	-	**T2**	T2	**19,141**	23,000
PTBIUMOM0082	BCP, S.A.	Bcp Subordinadas April 2020	12/04/2012	03/04/2020	**51,000**	-	**T2**	T2	**43,435**	51,000
PTBIZKOM0063	BCP, S.A.	Bcp Subordinadas 2 Serie April 2020	12/04/2012	12/04/2020	**25,000**	-	**T2**	T2	**21,417**	25,000
XS0686774752	BCP, S.A.	Bcpf Fixed Rate Subordinated Notes 13 Pct	13/10/2011	13/10/2021	**17,722**	-	**T2**	T2	**17,722**	98,850
PTBSMFOE0006	BCP, S.A.	TOPS's BPSM /97 (1.ª e 2.ª série)	04/12/1997	Perpetual	**23,025**	-	**N**	N	**23,025**	22,791
PTBCLAOE0000	BCP, S.A.	Obr. Perpétuas Subord. BCP Leasing /2001	28/12/2001	Perpetual	**5,436**	-	**N**	N	**5,436**	5,313
PTBCPZOE0023	BCP, S.A.	Mbcp Ob Cx Sub 2 Serie 2008-2018 - 2Cpn	15/10/2008	15/10/2018	**14,888**	15/10/2017	**N**	N	**5,335**	39,489
PTBCLWXE0003	BCP, S.A.	Mbcp Ob Cx Sub 1 Serie 2008-2018 - 2Cpn	29/09/2008	29/09/2018	**51,788**	29/09/2017	**N**	N	**18,097**	137,895
XS0278435226	BCP, S.A.	Bcp Finance Bank Ltd - Floating Rate Notes	21/12/2006	21/12/2016	**71,209**	-	**N**	N	**13,886**	28,128
PTBIPNOM0062	BCP, S.A.	Bcp Obrigacoes Subordinadas June 2020	29/06/2010	29/06/2020	**14,791**	29/06/2017	**N**	N	**4,429**	43,541
PTBCTCOM0026	BCP, S.A.	Bcp Obrigacoes Subordinadas Aug 2020	27/08/2010	27/08/2020	**9,278**	27/08/2017	**N**	N	**3,077**	28,337
XS0336845333	Bank Millennium	MB Finance AB [2]	20/12/2007	20/12/2017	**149,916**		**N**	N	**59,133**	88,939

[1] Net nominal value of own shares or securities held by Group entities.
[2] In CRR, is subject to phased-out until maturity and is registered in minority interests (T2).

ANNEX 5 – OWN FUNDS INSTRUMENTS MAIN FEATURES

		(1)	(2)	(3)	(4)	(5)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier	PTBIVXOM0013	PTBIU6OM0028	PTBCL2OM0016	PTBCUWOM0011	PTBCTZOM0037
3	Governing law(s) of the instrument	English and Portuguese law	English and Portuguese law	English and Portuguese law	English and Portuguese law	English and Portuguese law
REGULATORY TREATMENT						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated
7	Instrument type	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (1)	114,000,000	37,444,444	30,844,444	5,479,167	20,969,667
9	Nominal amount of instrument (2)	114,000,000	50,000,000	40,000,000	7,500,000	26,600,000
9a	Issue price	100%	84.45%	80.40%	100%	73.19%
9b	Redemption price	100%	100%	100%	100%	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	28 March 2011	14 October 2011	8 November 2011	25 August 2011	30 December 2011
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	28 March 2021	28 September 2019	8 November 2019	25 August 2019	9 December 2019
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
COUPONS/DIVIDENDS						
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	Euribor 3m + 3.75%	9.31%	8.519%	6.383%	7.150%

(Continues)

(Continuation)

		(1)	(2)	(3)	(4)	(5)
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Senior Debt	Senior Debt	Senior Debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

(Continues)

(Continuation)

		(6)	(7)	(8)	(9)	(10)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier	PTBCU9OM0028	PTBIVSOM0077	PTBIUGOM0072	PTBIZUOM0053	PTBCQJOM0030
3	Governing law(s) of the instrument	English and Portuguese law	English and Portuguese law	English and Portuguese law	English and Portuguese law	Portuguese law
	REGULATORY TREATMENT					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated
7	Instrument type	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital [1]	11,301,111	64,100,000	35,000,000	23,654,167	19,141,111
9	Nominal amount of instrument [2]	14,000,000	64,100,000	35,000,000	26,250,000	23,000,000
9a	Issue price	72.31%	100%	100%	82.55%	81.52%
9b	Redemption price	100%	100%	100%	100%	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	27 January 2012	1 April 2011	21 April 2011	18 July 2012	4 April 2012
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	13 January 2020	1 April 2021	21 April 2021	2 July 2020	28 February 2020
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
	COUPONS/DIVIDENDS					
17	Fixed or floating dividend/coupon	Fixed	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	7.010%	Euribor 3m + 3.75%	Euribor 3m + 3.75%	9.00%	9.00%

(Continues)

(Continuation)

		(6)	(7)	(8)	(9)	(10)
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Senior Debt	Senior Debt	Senior Debt
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

(Continues)

(Continuation)

		(11)	(12)	(13)	(14)	(15)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier	PTBIUMOM0082	PTBIZKOM0063	XS0686774752	PTBSMFOE0006	PTBCLAOE0000
3	Governing law(s) of the instrument	Portuguese law	Portuguese law	English law	Portuguese law	Portuguese law
REGULATORY TREATMENT						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated
7	Instrument type	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (1)	43,435,000	21,416,667	17,721,606	23,024,953	5,435,810
9	Nominal amount of instrument (2)	51,000,000	25,000,000	98,850,000	PTE 18,000,000,000; €89,783,621.88	35,000,000
9a	Issue price	83.20%	82.82%	100%	100%	100%
9b	Redemption price	100%	100%	100%	100%	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	12 April 2012	12 April 2012	13 October 2011	4 December 1997	28 December 2001
12	Perpetual or dated	Dated	Dated	Dated	Perpetual	Perpetual
13	Original maturity date	3 April 2020	12 April 2020	13 October 2021	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	In case of Capital Disqualification Redemption Event. The notes will be redeemed at par.	N/A	First call date: 4 December 2007	First call date: 28 December 2011
16	Subsequent call dates, if applicable	N/A	N/A	N/A	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter
COUPONS/DIVIDENDS						
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Floating	Floating

(Continues)

(Continuation)

		(11)	(12)	(13)	(14)	(15)
18	Coupon rate and any related index	9.15%	9.00%	13.00%	Until 4-Dec-2007: Euribor 6m + 0.4%; 4-Jun-2008 to 4-Dec-2017 (inclusive): Euribor 6m + 0.9%; From 4-Jun-2018: Euribor 6m + 1.4%	28-Mar-02 to 28-Dec-11 (inclusive): Euribor 3m + 1.75%; From 28-Mar-12: Euribor 3m + 2.25%
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	Yes	Yes
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	Full or partial	Full or partial
33	If write-down, permanent or temporary	N/A	N/A	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Senior Debt	Senior Debt	Senior Debt
36	Non-compliant transitioned features	No	No	No	Yes	Yes
37	If yes, specify non-compliant features	N/A	N/A	N/A	Existence of Step-up clause	Existence of Step-up clause

(Continues)

(Continuation)

		(16)	(17)	(18)	(19)	(20)
1	Issuer	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.	BCP Finance Bank, Ltd.	Banco Comercial Português, S.A.	Banco Comercial Português, S.A.
2	Unique identifier	PTBCPZOE0023	PTBCLWXE0003	XS0278435226	PTBIPNOM0062	PTBCTCOM0026
3	Governing law(s) of the instrument	Portuguese law	Portuguese law	English law	English and Portuguese law	English and Portuguese law
REGULATORY TREATMENT						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated
7	Instrument type	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (1)	5,334,741	18,097,115	13,885,755	4,429,083	3,077,203
9	Nominal amount of instrument (2)	81,000,000	295,000,000	400,000,000	95,000,000	57,000,000
9a	Issue price	100%	100%	99.9%	100%	100%
9b	Redemption price	100%	100%	100%	100%	100%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	15 October 2008	29 September 2008	21 December 2006	29 June 2010	27 August 2010
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	15 October 2018	29 September 2018	21 December 2016	29 June 2020	27 August 2020
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	First date: 15 October 2013	First date: 29 September 2013	First date: 21 December 2011	First date: 29 June 2015	First date: 27 August 2015
16	Subsequent call dates, if applicable	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter
COUPONS/DIVIDENDS						
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	1st year: 6.00%; 2nd to 5th year: Euribor 6m + 1.00%; 6th et seq: Euribor 6m + 1.40%	1st year: 6.00%; 2nd to 5th year: Euribor 6m + 1.00%; 6th et seq: Euribor 6m + 1.40%	Until 21-Sep-2011: Euribor 3m + 0.3%; From 21-Dec-2011: Euribor 3m + 0.8%	29-Jun-2010 to 29-Jun-2015: 3.25%; From 29-Jun-2015: Euribor 6m + 1%	1st year: 3%; 2nd year: 3.25%; 3rd year: 3.5%; 4th year: 4%; 5th year: 5%; 6th et seq: Euribor 6m + 1.25%

(Continues)

(Continuation)

		(16)	(17)	(18)	(19)	(20)
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step-up or other incentive to redeem	Yes	Yes	Yes	Yes	Yes
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Senior Debt	Senior Debt	Senior Debt	Senior Debt
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	Existence of Step-up clause	Existence of Step-up clause	Existence of Step-up clause	Existence of Step-up clause	Existence of Step-up clause

(Continues)

(Continuation)

		(21)	(22)	(23)	(24)	(25)
1	Issuer	Bank Millennium, S.A.	Banco Comercial Português, S.A.	BCP Finance Company, Ltd.	BCP Finance Company, Ltd.	Banco Comercial Português, S.A.
2	Unique identifier	XS0336845333	PTBCPMOM0002	XS0194093844	XS0231958520	PTBCPOAM00007
3	Governing law(s) of the instrument	English law	Portuguese law	Series C Preference Shares: Cayman Islands law; Subordinated Guarantee: English law; Subordination of the Subordinated Guarantee: Portuguese law	Series D Preference Shares: Cayman Islands law; Subordinated Guarantee: English law; Subordination of the Subordinated Guarantee: Portuguese law	Portuguese law
	REGULATORY TREATMENT					
4	Transitional CRR rules	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Ineligible	Ineligible	Ineligible	Ineligible	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-) consolidated	Solo/(Sub-) consolidated	(Sub-)consolidated	(Sub-)consolidated	Solo/(Sub-) consolidated
7	Instrument type	Subordinated Debt	Other Capital Instruments	Preference Shares	Preference Shares	Ordinary shares
8	Amount recognised in regulatory capital (1)	59,133,364	2,922,000	14,808,319	4,897,737	4,094,235,362
9	Nominal amount of instrument (2)	150,000,000	300,000,000	500,000,000	500,000,000	N/A
9a	Issue price	100%	100%	100%	100%	N/A
9b	Redemption price	100%	100%	The liquidation preference plus, if applicable, an amount equal to accrued and unpaid dividends for the then current dividend period to the redemption date and any additional amounts	The liquidation preference plus, if applicable, an amount equal to accrued and unpaid dividends for the then current dividend period to the redemption date and any additional amounts	N/A
10	Accounting classification	Liability – amortised cost	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	20 December 2007	29 June 2009	9 June 2004	13 October 2005	N/A
12	Perpetual or dated	Dated	Perpetual	Perpetual	Perpetual	Undated
13	Original maturity date	20 December 2017	No maturity	No maturity	No maturity	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	N/A
15	Optional call date, contingent call dates and redemption amount	First date: 20 December 2012; In case of tax event call	First date: 29 June 2014	First date: 9 June 2014; In case of tax event call or capital disqualification event call	First date: 13 October 2015; In case of tax event call or capital disqualification event call	N/A
16	Subsequent call dates, if applicable	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	First call date and on each interest payment date thereafter	N/A

(Continues)

(Continuation)

		(21)	(22)	(23)	(24)	(25)
COUPONS/DIVIDENDS						
17	Fixed or floating dividend/coupon	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Floating
18	Coupon rate and any related index	20-Jun-08 to 20-Dec-12 (inclusive): Euribor 6m + 1.50%; From 20-Jun-13: Euribor 6m + 2%	Until 29-Jun-2011: 7%; From 29-Dec-2011: Euribor 6m + 2.5% (minimum rate: 5%)	Until 9-Jun-2014 (exclusive): 5.543%; From 9-Jun-2014: Euribor 3m + 2.07%	Until 13-Oct-2015 (exclusive): 4.239%; From 13-Oct-2015: Euribor 3m + 1.95%	N/A
19	Existence of a dividen stopper	No	No	No	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Fully discretionary	Fully discretionary	Fully discretionary	N/A
21	Existence of step-up or other incentive to redeem	Yes	No	Yes	Yes	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	Yes	Yes	Yes	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	Always partial	Full or partial	Full or partial	N/A
33	If write-down, permanent or temporary	N/A	Temporary	Permanent	Permanent	N/A
34	If temporary write-down, description of write-up mechanism	N/A	(A)	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Debt	Tier 2	Tier 2	Tier 2	Additional Tier 1
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	No
37	If yes, specify non-compliant features	Existence of Step-up clause	Existence of Step-up clause	Existence of Step-up clause	Existence of Step-up clause	N/A

(Continues)

(Continuation)

		(26)
1	Issuer	Banco Comercial Português, S.A.
2	Unique identifier	PTBIZQOM0059
3	Governing law(s) of the instrument	Portuguese law
REGULATORY TREATMENT		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo/(Sub-)consolidated
7	Instrument type	Government Subscribed Core Tier 1 Capital Instruments (GSI)
8	Amount recognised in regulatory capital (1)	750,000,000
9	Nominal amount of instrument (2)	3,000,000,000
9a	Issue price	100%
9b	Redemption price	100%
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	29 June 2012
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	The issuer may, at any time, elect to purchase any or all outstanding GSI at their principal amount, together with any accrued but unpaid coupons.
16	Subsequent call dates, if applicable	N/A
COUPONS/DIVIDENDS		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	1st year: 8.5%; 2nd year: 8.75%; 3rd year: 9%; 4th year: 9.5%; 5th year: 10%
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary

(Continues)

(Continuation)

		(26)
21	Existence of step-up or other incentive to redeem	Yes
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	(B)
25	If convertible, fully or partially	Always fully
26	If convertible, conversion rate	(C)
27	If convertible, mandatory or optional conversion	Mandatory
28	If convertible, specify instrument type convertible into	Special shares or Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Banco Comercial Português, S.A.
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

(A) In the following situations: (i) to the extent of the positive variation of the Issuer's equity from profits or positive reserves (according to the rules applicable to the preparation of individual financial statements of the Issuer) on proportion of the nominal value of the notes and the share capital of the Issuer; (ii) in the case of dissolution, liquidation or insolvency of the Issuer; (iii) in case of payment of divivends to the shareholders; (iv) in the event of early redemption (Issuer call). In each case subject to prior authorization from Banco de Portugal.

(B) If the Bank is in material breach of the Recapitalization Plan, the principal due under the GSI not bought back and cancelled by the Bank shall be mandatorily fully converted at the conversion rate into special shares subject to articles 4 and 16-A of Law 63-A/2008; (b) If the Bank does not buyback the GSI fully by the end of the investment period (5 years from the issue date), the principal amount due under the GSI held by the State at that date shall be mandatorily fully converted into ordinary shares of the Bank at the conversion rate.

(C) The conversion rate will be determined by the Minister of Finance, subject to any State Aid requirements, applying a 35% discount to the ordinary share price reflecting the traded market value of the shares at the time conversion is announced, taking into account the effect of dilution.

(1) Amount included in the calculation of Bank's Own Funds (phased-in) as of 31 December 2015.

(2) On the Issue Date.

2015 Market Discipline Report

www.millenniumbcp.pt

Banco Comercial Português, S.A.
Public Investment Company

Head Office:
Praça D. João I, 28
4000-295 Porto

Share Capital:
4,094,235,361.88 euros

Registered at Commercial Registry Office of Porto,
under the Single Registration and TIN 501 525 882

Pre-Press:
Choice – Comunicação Global, Lda.

July 2016

Millennium
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